

FINANCIAL TIMES

Start
the week
with...



Dateline

**Pollution
in Paris**

David Buchan, Page 9



US economy

**Will the Fed
raise rates?**

Gerard Baker, Page 18

Today's Surveys

**Guernsey
Insurance**

Separate sections

World Business Newspaper <http://www.FT.com>

MONDAY MARCH 24 1997

Crédit Lyonnais head raises stakes in Brussels row

Crédit Lyonnais chairman Jean Peyrelevade suggested he would resign if the European Commission forced him to sell off many more of the French state-owned bank's activities. In an interview with the FT, he said: "You cannot have any further significant reduction in the perimeter of the bank without destroying it." The French government is expected to submit a privatisation plan for the bank to European competition authorities in Brussels within weeks. Page 19

Fears over Asian car output: Asia's car production capacity is growing far in excess of demand in the region, creating a risk of a serious shake-out by the end of the decade, a survey by business research concern DRI/McGraw-Hill shows. Page 18

Disney in Tokyo refinancing deal: US entertainment company Walt Disney negotiated a ground-breaking deal to refinance a ¥73.4bn (\$572m) loan which is backed by future royalties from Tokyo Disneyland, the world's most frequently visited theme park. Page 19

Communists attack Yeltsin: Russian president Boris Yeltsin faced a chorus of Communist criticism over his Nato policy after his return from the Helsinki summit, while western leaders hailed the two-day meeting between Mr Yeltsin and US president Bill Clinton as a breakthrough. Page 2

C&W publishes offer document: UK-based telecommunications group Cable and Wireless will today publish the offer document for the formation of Cable and Wireless Communications. The company will be formed from C&W subsidiary Mercury Communications, with UK cable companies Nynex CableComms, Bell CableMedia and Videotron. Page 19

Delay likely for Bass deal: A UK government ruling on Bass's proposed £200m (\$318m) acquisition of rival Carlsberg-Tetley is expected to be delayed until a new government is formed after May 1. Page 15; Lex, Page 18

UK 'ill-prepared' for single currency: British industry is ill-prepared for the European single currency, finance directors of Britain's largest companies say in a report. Page 7

Record capital flows: Record levels of private capital flowed to developing countries last year, driven by "good" macroeconomic policies, infrastructure privatisation and investors' thirst for higher yields, a World Bank report says. Page 6

Cuba trade talks restart: Talks between the US and the European Union resume in Brussels today. They aim to avert confrontation over US legislation designed to penalise foreign investors in Cuba. Page 4

Spain to release 'dirty war' secrets: The Spanish government is to release secret service documents on the "dirty war" waged under the previous Socialist administration against Basque militants. Page 2

Lithuanian nuclear plant 'unsafe': Lithuania's nuclear power station at Ignalina is unsafe and should be shut down pending safety improvements, a group of international nuclear experts said. The station supplies 65 per cent of the country's needs. Page 2

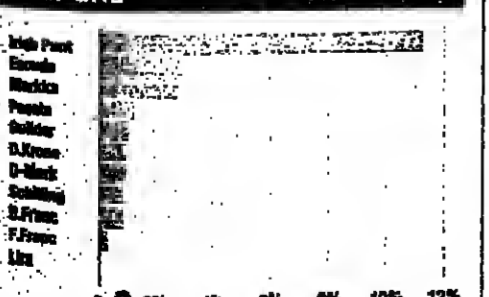
Six-day opening likely for French banks: France's commercial banks may soon open branches six days a week and introduce more flexible working hours following an overhaul of 60-year-old legislation. Page 2

TB control 'offers economic benefits': Control of tuberculosis would bring big economic returns as well as health and social benefits, the World Health Organisation says. TB kills an estimated 3m people a year. Page 6

Tulu regains cross-country title: Ethiopian runner Derartu Tulu narrowly beat Britain's Paula Radcliffe in Turin to win the women's world cross-country title for the second time. Defending champion Getenesh Wami from Ethiopia was third.

European Monetary System: The Irish punt strengthened its position at the top of the EMS grid last week, while the Italian lira remained under heavy pressure. The Danish krone rose three places in the grid. Currencies, Page 27

EMS Grid March 21, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the base currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com the FT web site provides online news, comment and analysis at <http://www.FT.com>

London 0171 776 1111	London 0171 776 1111	London 0171 776 1111	London 0171 776 1111
London 0171 776 1111	London 0171 776 1111	London 0171 776 1111	London 0171 776 1111
London 0171 776 1111	London 0171 776 1111	London 0171 776 1111	London 0171 776 1111
London 0171 776 1111	London 0171 776 1111	London 0171 776 1111	London 0171 776 1111

UK 'to veto' defence plan

By Caroline Southey in
Brussels and Lionel Barber
in London

France and Germany push for closer EU ties

France and Germany will tomorrow launch a fresh initiative for closer co-operation on European Union defence policy, in an effort to reinvigorate the Maastricht treaty review conference.

Backed by Italy, Spain and Belgium, the initiative proposes a phased integration of the EU and the Western European Union (WEU), its fledgling defence policy arm.

Britain is vehemently opposed to the idea and has threatened to veto it. The UK believes EU/WEU integration is impractical because the two do not have the same membership - four EU countries are

not WEU members. And the proposal has provoked reservations among those four "neutral" states - Ireland, Finland, Sweden and Austria. Sweden in particular faces a domestic backlash if it agrees to proposals threatening its neutrality.

The initiative - described as "politically significant" by a senior EU diplomat - is being unveiled on the 40th anniversary of the Treaty of Rome. EU foreign ministers convene in Rome tomorrow to celebrate the anniversary.

However, senior WEU officials are unenthusiastic about a full-scale merger, which they believe could lead to crossed

lines with Nato, the Atlantic alliance. The WEU does not have any defence capacity independent of Nato, and would rely on the alliance for troops and equipment.

The Franco-German initiative envisages EU leaders signing a protocol at the intergovernmental conference (IGC) committing the union to full integration with the WEU, and it proposes integration should take place in three phases.

In the first phase the EU would be able to call on the WEU to fulfil peacekeeping tasks, including humanitarian operations. This proposal was also included in the IGC pro-

posals tabled at the EU Dublin summit in December.

Under the second phase the European Council of Ministers would be given the power to set guidelines and define policy for the WEU. Under the third, the two organisations would become fully integrated.

The foreign ministers will also discuss a new text drawn up by the Dutch presidency aimed at narrowing differences at the intergovernmental conference. It covers six areas, and the foreign ministers hope to agree on it at their Amsterdam summit in June.

The six areas are: institutional reform, including major-

ity voting; fundamental rights; justice and home affairs; common foreign and security policy; the legal personality of the union; and closer co-operation between countries favouring faster integration.

The concept of "closer co-operation" has replaced the earlier term of "flexibility" which provoked opposition among some members who feared it could lead to an elite grouping within the EU.

Before the Rome meeting the ministers convene today in Brussels to consider the EU's involvement in Albania.

Ms Emma Bonino, the European commissioner for humanitarian aid, will warn that no aid can be delivered unless security measures are taken to protect staff and convoys.

Market set for flood of Russian overseas bond issues

By Edward Luce

Russia's Central Asian Republic of Tatarstan is the latest in a lengthening queue of Russian entities to announce plans for forthcoming overseas bond issues.

Russia's cities, autonomous republics and companies are desperate for hard currency and there is a growing appetite for Russian debt on the world's capital markets.

The Russian Federation launched its second international debt offering earlier this month after the success of the first last September, paving the way for a flood of non-sovereign Russian bond issues later this year.

The cities of Moscow and St Petersburg are expected to be among the first to tap the international debt markets in the next few weeks, with eurobonds of between \$300m and \$400m apiece.

Others planning to borrow overseas include Red October, Russia's oldest confectionery group, and the Russian railway ministry.

The regional government of Sverdlovsk has appointed WestMerchant Bank to lead manage a \$100m eurobond offering, while AO Tatneft, Tatarstan's main oil company, has recommended Dresdner Kleinwort Benson to manage its issue.

Ros Telecom, Russia's long-distance phone company, and Gazprom and Lukoil, the natural resource conglomerates, are thought to be considering dollar bond offerings.

"There is very strong investor appetite for all types of Russian debt," said a syndicate official at WestMerchant Bank in London. "At the moment there are only two international Russian bonds in the market so there is a large gap waiting to be filled."

Bond analysts say political uncertainty had delayed the launch of planned bond issues, but President Yeltsin's

Continued on Page 18
Yeltsin faces flak, Page 2
Moscow outsider, Page 16
Editorial Comment, Page 17

Hopes grow for German steel merger

By Peter Norman in Bonn

The likelihood that German steelmaker Krupp Hoesch and rival Thyssen will agree to form a joint steel company increased at the weekend as political and trade union pressure for an amicable settlement grew in reaction to Krupp's hostile bid for Thyssen last week.

But while the chief executives of the two companies pressed on with negotiations, Krupp and its advisers continued preparations to revive the cash offer to Thyssen shareholders, should the talks fail.

Krupp Hoesch's supervisory board met in Essen on Saturday to discuss the company's next move following the bid of DM1435 (\$257) per share launched by Mr Gerhard Cromme, Krupp's chief executive, for the larger Thyssen group. It agreed to meet again on April 2.

By then, the deadline of Thursday March 27, set by Krupp for completion of the talks, will have passed, and Thyssen, whose supervisory board meets on Thursday, should have decided whether to pursue a steel merger.

In an interview with a Sunday newspaper, Mr Dieter Vogel, Thyssen chief executive, said the aim of the negotiations was to form a joint steel company "under the leadership of Thyssen".

Although Krupp bid for the whole of Thyssen, it is thought that it would accept such a

solution provided other conditions were met, because it would achieve about 70 per cent of the synergies expected from the original bid.

However, Krupp has made sufficient credit arrangements to cover the cost of its bid. The credits would neutralise a potential "poison pill" defence by Thyssen should it decide to use its existing authorisation from shareholders to raise capital by a nominal DM500m (\$295.8m) by 2001.

Underpinning the Krupp bid are calculations that a total takeover of Thyssen could yield synergies worth DM1bn a year and that subsequent disposals of unwanted Krupp and Thyssen holdings would lead to a rapid reduction of the borrowings required for the bid.

Although the steel talks are shrouded in secrecy, leaked information points to progress. Mr Georg Bongers, leader of the Thyssen workers' council, quoted Mr Vogel as saying "We are going well". Mr Klaus Matthies, leader of the Social Democrat MPs in the Düsseldorf parliament and a member of the Krupp supervisory board, was optimistic after the Saturday meeting.

One official close to the talks said the atmosphere "was very constructive". Helmut Kohl added to pressure for an amicable settlement by calling on the companies to show "social

Continued on Page 16
World stocks, Page 33



Palestinians hurl stones at Israeli soldiers yesterday during rioting over Israel's insistence on building a Jewish settlement in Arab east Jerusalem. Israel urged Palestinian leaders to crack down on Hamas, which was responsible for last week's suicide bombing. Report, Page 18

\$11bn European frigate threatened by disagreement

By Bernard Gray in London

Britain, France and Italy will not meet the end-of-March deadline to resolve their differences over the \$1.1bn Horizon frigate programme, and are unlikely to do so before the UK general election on May 1.

If the opposition Labour party won the election, the programme to produce air defence ships for the three navies would have to be reassessed, possibly as part of Labour's proposed overall defence review, halting any further progress for several months.

However, France may not be prepared to wait for any British review since it badly needs escort ships to protect its aircraft carrier, Charles de Gaulle, which will enter service in 2001. As a result, the programme is in danger of collapse.

In spite of intensive efforts by defence ministry officials

from all three nations, there has been no narrowing of differences over the capability of the weapons system for the ship, which has proved the main stumbling block.

Differences have centred on the capability of the Principal Anti-Air Missile System (Paams), which would be used to shoot down incoming missiles or aircraft.

Britain, conscious of its experience in the Falklands war, wants a system capable of defending against many targets in a wide area, while France and Italy would accept a more modest system.

France has argued strongly that the British demands are excessively sophisticated, particularly at a time when defence budgets are being cut. Yet Britain insists the system must be able to defeat a mixture of missiles from different directions simultaneously, in a scenario which has been code-named "Column II". France,

however, would settle for a system able to beat a simpler "Column I" scenario.

If the two countries cannot agree, it may be necessary to produce two different versions of Paams. However, this would generate problems of its own since the two variants would increase costs. France and Italy are also concerned that Britain could market its more sophisticated version for export, in competition with the Franco-Italian version.

French and Italian companies, meanwhile, have little incentive to improve the performance of their system to meet British requirements, and avoid the split.

British payments to the two countries to pay for earlier development work on the missile system completed by the aerospace companies Alenia and Aerospatiale will go to the two countries' treasuries, rather than the companies involved.

It's a Cinven fact

In the last
twelve months
we have led
deals totalling
£1,368,100,000.

Cinven Delivering a great deal

Cinven Limited is regulated by IMRO

... ..

NEWS: EUROPE

Nearly two-thirds of businesses believe the single currency will be introduced in 1999

Germany's confidence in Emu grows

By Ralph Atkins in Bonn

German businesses have become significantly more confident in the past 18 months that a European single currency will start on time in January 1999. But fewer than a quarter have begun preparations for its introduction, according to a study today.

A survey of 25,000 companies by the German chambers of industry and commerce (DIHT) showed 65 per cent believe it "probable" that the last stage of European economic and monetary union will begin in 1999. That compared with 24 per cent in autumn 1995.

The DIHT said businesses were "taking increasingly seriously" the determination of politicians to meet the timetable for the new Euro currency.

The results come despite uncertainty whether the German government will, despite strenuous efforts, meet this year the criteria set in the Maastricht treaty



Mr Theo Waigel, Bonn finance minister, yesterday provoked union hostility after warning of possible further cuts in social spending to help Germany meet the Maastricht criteria for economic and monetary union, Peter Norman reports from Bonn.

Mr Roland Isen, leader of the white collar workers' union DAG, said German trade unionists would only accept the single currency "provided they did not have to pay the entry fee to the euro-club through still higher unemployment or new social welfare cuts". Mr Isen was responding to an interview published in today's issue of Der Spiegel, the news magazine, in which Mr Waigel (pictured left) warned that he would take additional steps if necessary for Germany to meet the criterion of 3 per cent of gross

domestic product for its public deficit this year. The minister singled out income support as the first priority in any list of economies.

Mr Waigel said he would prefer not to raise taxes to meet the criteria, although he did not rule this out. He reaffirmed his support for a strict interpretation of the criteria and dismissed discussion of a possible delay to the planned start of the single currency on January 1 1999 as damaging.

In this, Mr Waigel received strong support from Chancellor Helmut Kohl. "There can be no question of a delay," the chancellor told Welt am Sonntag, the Sunday newspaper. "The question is not whether Emu is coming, but what we can and must do to make it begin on time."

Support for currency stability was likely to have been boosted by the turbulence on world markets in 1995, which contributed to a economic growth pause in the following year. However many businesses feared a "soft" currency compared with the D-Mark, or that emu would intensify international competition.

Scepticism was greatest in the building industry where only 34 per cent believed a single currency in 1999 was desirable and 48 per cent believed it was "undesirable".

In the banking sector, more than 80 per cent of credit institutes believed the January 1999 start date was "probable" and more than 80 per cent believed it desirable.

Overall, the proportion of businesses describing the introduction of Emu in January 1999 as both probable and desirable had risen from 9 per cent in autumn 1995 to 39 per cent in the latest survey.

US and EU set to resume Cuba talks

By Nancy Dunne in Washington and Guy de Jonquieres in London

Talks between the US and the European Union resume in Brussels today, aimed at averting a damaging confrontation in the World Trade Organisation over US legislation designed to penalise foreigners who invest in property in Cuba once owned by American citizens.

The talks, between Mr Stuart Eizenstat, US under-secretary of commerce for international trade and Sir Leon Brittan, EU trade commissioner, will seek a settlement of the transatlantic row over the US Helms-Burton law. Many of the US's trading partners, particularly Canada, Mexico and the EU, have attacked it on the grounds that it attempts to impose US law extra-territorially.

The EU is challenging the law in the WTO, which has set up a disputes panel to decide whether it violates world trade rules. But the US is refusing to co-operate with the panel and has threatened to ignore an eventual ruling - a step which could undermine the authority of the WTO's dispute settlement procedures.

The US says the Helms-Burton law is exempt from WTO rules because it is a national security and foreign policy issue, not a trade matter. Several congressmen last week urged the US to withdraw from the WTO if the panel ruled against its right to use sanctions in pursuit of foreign policy.

The EU is pressing the US to go beyond President Bill Clinton's promise to continue waiving Title III of the law - which authorises private US court cases against foreign companies "trafficking" in Cuban assets - provided European governments keep pressure on Cuba to move towards

democracy. The EU accepts there is little more the president can do to water down this part of the law. Brussels believes it is unlikely ever to take effect, if only because it could unleash a deluge of private court cases which would overwhelm the US court system.

The search for compromise is now focusing on Title IV of the law, which requires the US to deny visas to executives, directors and big shareholders - and their families - of companies found to be using expropriated Cuban property once owned by Americans.

Both sides accept that the president's flexibility to waive this provision is limited. The EU is nonetheless urging the US to issue interpretive guidelines which would in practice exempt European companies from the provision.

Officials of only two companies, Sherritt International of Canada and Grupo Domos of Mexico, have been subjected to the provision so far. The US recently warned Stet, the Italian telecommunications company, that its executives also risked losing their visas, though a US official said Stet had not yet met the "fairly exacting standards" set by the provision.

EU officials said application of the law to Stet could undermine chances of a settlement with the US and warned that it would be difficult to conclude a deal until the Italian company's situation was clarified.

The EU also wants European companies protected from the US D'Amato act, which penalises investors in the energy industries of Iran and Libya.

Talks are focusing on the possibility of President Clinton granting them a multilateral waiver on the grounds that Europe had taken serious steps to halt arms proliferation and terrorism.

Belarus pro-democracy protests turn to violence

By Matthew Kaminski in Moscow

A pro-democracy demonstration in Belarus yesterday became violent as protesters kept up pressure on President Alexander Lukashenko.

An estimated 10,000 people marched through Minsk, the capital, carrying nationalist flags and slogans denouncing Mr Lukashenko's authoritarian policies, before violent incidents broke out and police moved in with truncheons.

A small nationalist constituency in Belarus, a Slavic country of 10.7m people wedged between Russia and Poland, has been agitating for more civic and human rights after Mr Lukashenko in November put in a puppet legislature and won sweep-

ing powers in a widely criticised referendum.

The former collective farm boss, who won democratic elections in 1994, has ignored international rebukes, extending his term in office and limiting free speech.

Mr Lukashenko has also pushed for closer ties - possibly reunion - with Russia, a popular policy in a provincial and isolated nation. His Kremlin counterpart, Mr Boris Yeltsin, said earlier this month that reunion was possible.

A series of demonstrations have been held in Minsk recently despite new restrictions on popular rallies, indicating the nationalist wing has not given up. But the groups cannot claim a broad popular mandate.

A leader of the Belarus Popular Front, the party

which organises the rallies, was arrested this month, along with several other activists. The head of BNF last year got political asylum in the US.

Mr Peter Byrne, head of the Soros Foundation in Belarus, one of the financier George Soros' philanthropic ventures in eastern Europe, last week was not allowed back into the country. The authorities said the foundation supported the opposition.

● A flotilla of Nato warships arrived in Ukraine yesterday for a friendly visit, AP reports from Odessa.

Seven ships from the Standing Naval Force Mediterranean docked at the Black Sea port of Odessa, where they were met by the flagship of the Ukrainian Navy.

Greek opposition opts for young Karamanlis

By Kevin Hope in Athens

Greece's opposition conservative party, New Democracy, rejected three experienced candidates and chose a 40-year-old backbencher from a renowned political dynasty as its new leader at a congress held over the weekend.

Mr Costas Karamanlis, a dispute for the northern city of Thessaloniki, won 88 per cent of delegates' votes in a ballot on Friday night. He defeated Mr Giorgos Sotiriou, a former economy minister backed by the party's reformist wing.

Mr Karamanlis has never held a government post and keeps a low profile in parliament. But he has the same name as his uncle Constantine, Greece's most successful post-war politician, who

founded New Democracy and served for more than 20 years as prime minister and then president.

The choice of a young, untested politician as leader reflects a mood of desperation in New Democracy following months of bitter infighting triggered by an election defeat last October. The conservatives have won only one election in 15 years.

The October defeat was seen as disastrous for the conservatives because Greece's business community for the first time backed the governing Panhellenic Socialist Movement as the party more likely to reduce inflation and create a stable investment climate.

Moderate conservatives felt uncomfortable with New Democracy's transformation

under Mr Miltiades Evert, the outgoing leader, into a rightwing populist party promoting a strong state role in the economy and a nationalist foreign policy.

Mr Karamanlis was put forward as a candidate for leader by one of Mr Evert's lieutenants and captured votes from his supporters in the run-off ballot. He pledged to reunite New Democracy in his acceptance speech.

The youngest ever leader of a mainstream Greek party will find it difficult to live up to his uncle's achievements, which included restoring democracy in 1974 after the collapse of the colonels' dictatorship and securing Greek membership of the then-European Community in 1981.

http://

Wherever you look on the net, you'll find HP. While many companies are buzzing with words like "intranet" and "electronic commerce," as if these technologies had just come down the runway, we've been busy building one of the world's largest intranets for our employees, and - with the help of our partners - provided the first secure trading for banks on the net. So, here's how to replace buzz on the net with doing business via your website. Get the information access you want. At <http://www.hp.com/go/computing/>

 **HEWLETT®
PACKARD**

NEWS: THE AMERICAS

Mexico pressed on election-monitoring

By Leslie Crawford
in Mexico City

The Mexican foreign ministry has become embroiled in a row over its attempts to block the donation of European Union funds to independent election-monitoring groups in Mexico.

Mr José Angel Gurría, foreign minister, is understood to have put pressure on Brussels to withdraw a \$400,000 grant for the Mexican Academy of Human Rights, a group of academics, lawyers and activists who want to monitor elections in July that will include the renewal of Congress and the first election for a mayor for Mexico City.

The academy's protests to the foreign minister, led by Mr Oscar González César, a former ambassador to the United Nations, have gone unanswered. Several Euro-

pean MPs are pressing the European Commission to explain the sudden cancellation of the grant. In Mexico, the Federal Electoral Institute (IFE), in charge of organising elections, has written to Mr Gurría expressing concern.

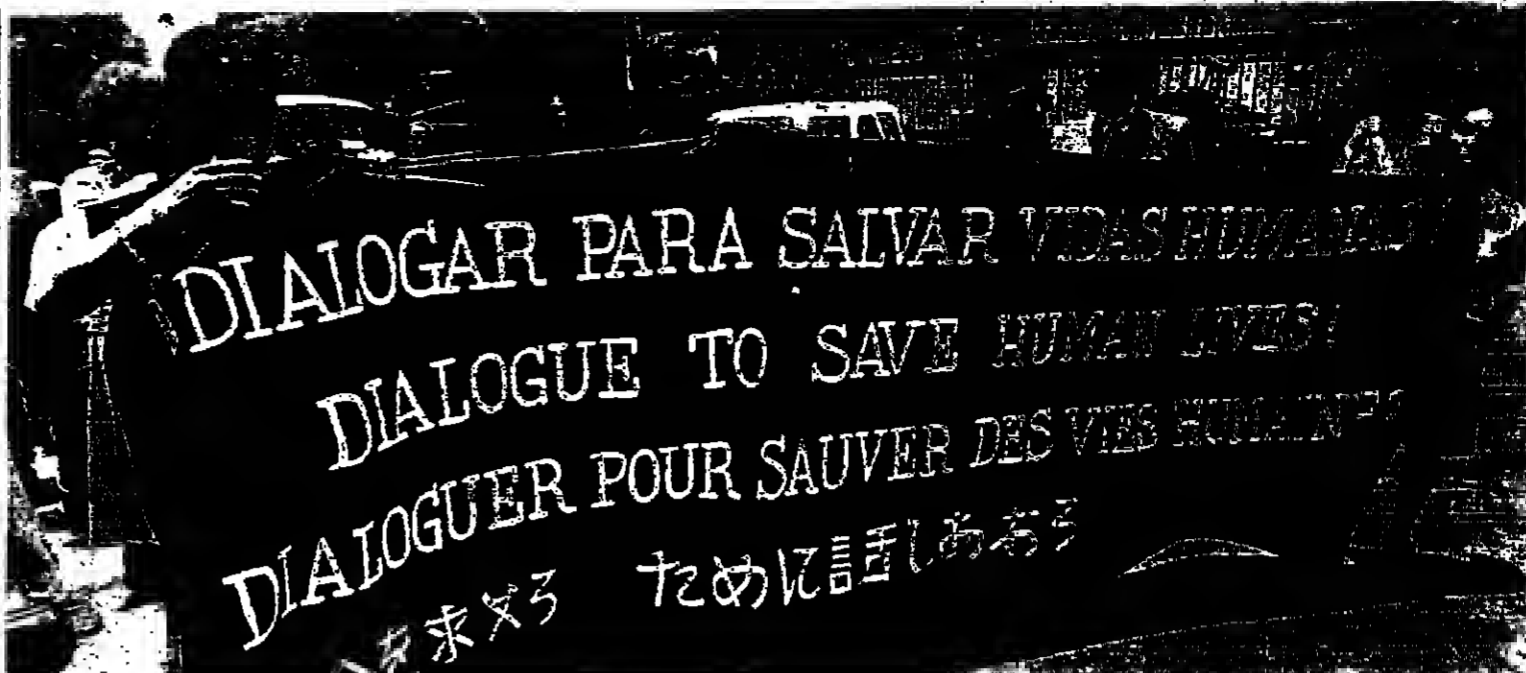
A foreign ministry spokesman refused to comment on the issue.

"We are very worried about the foreign ministry's opposition to the external funding of monitoring groups," Mr Emilio Zebadúa, one of the seven IFE councilors who wrote to Mr Gurría, said yesterday. "It is perfectly legal for these groups to seek foreign aid, and it is in our interests to encourage the fullest participation of independent observers to guarantee that the elections will be clean and fair. We are concerned that the stance adopted by the foreign ministry is political in nature. It sets a dangerous precedent," said Mr Zebadúa.

Mr González César, president of the Mexican Academy of Human Rights, said the EU had approved the \$400,000 grant in December.

"This was to be our second project with the EU," he explained. "The funds would have enabled us to supervise the campaign expenditures of political parties during the elections."

He said the Mexican government had made considerable efforts to eliminate fraud at the ballot box but controversy remained over the use of undeclared funds by the ruling Institutional Revolutionary Party (PRI) to secure election victories. "Mexicans have a bitter experience with regard to the government's use of secret funds to maintain power. It has cast a dark shadow over the legitimacy of electoral processes."



Demonstrators march through the streets of Lima demanding renewed efforts to resolve the hostage crisis which has now entered its fourth month

Captive audience for hostage experts

Sally Bowen on an attempt by those involved in the 1980 Bogotá siege to shed light on the Lima crisis

Two men in a bear-hug embrace is not an unusual sight in Latin America. But when an ex-guerrilla commander and his former hostage meet after 17 years it is a rare moment.

Mr Rosenberg Pabón led the M-19 Colombian guerrilla attack on the Dominican Republic embassy in Bogotá in February 1980: the 61-day hostage-taking siege was a record in Latin America until the current hostage crisis in Peru, now in its fourth month. Mr Pabón, now an expert in international law, was one of 15 ambassadors held for two months by Mr Pabón.

Their bizarre display of camaraderie occurred during a seminar organised last week in Lima by a local university and a domestic television channel.

Criticised by some politicians inside Peru, the seminar's objective was to throw light on the situation inside the Japanese ambassador's residence on the other side of town, where Tupac Amaru Revolutionary Movement (MRTA) guerrillas hold 72 captives.

Former hostage and hostage-taker bore no ill-will. Rather, their message was that the two-month Bogotá siege was fruitful. Mr Nascimento e Silva, then Brazilian ambassador to Colombia, said he was "far from angry

or resentful" at having been held captive.

"On the contrary, it was the most positive thing that has happened to me on a personal level. I learned a lot about myself," he said.

Refuting the so-called Stockholm syndrome - which posits that captives come to admire and identify with their captors - Mr Nascimento e Silva said: "I started and ended a right-wing reactionary. Pabón an ultra-leftist. But I realised that they were right about many things, and they learned from us too."

Although the Bogotá incident ended peacefully with no release of M-19 prisoners or formal ransom payment, Mr Pabón claims it "caused Colombians to reflect profoundly, to see that there were serious defects in the pretty democratic picture which they were being sold". In 1991, a Colombian constituent assembly de-criminalised the guerrillas so that they could stand for election.

"It took us 11 years, but you construct peace by constant dialogue and negotiation," he said.

Negotiation has been scarce in the Peruvian crisis. In his first public statement four days after the December

17 MRTA storming of the Japanese ambassador's residence, Peru's President Alberto Fujimori vowed he would never negotiate with an armed group which employed terror tactics. World leaders applauded his tough stance. It seems not to have altered. Last week Mr Fujimori denied Japanese newspaper reports that he might be considering the release of selected MRTA prisoners. "There will be no freedom, not even for one prisoner," he said.

There are several parallels between the Bogotá and Lima incidents. Both served to give international prominence to a largely ignored local guerrilla group; both groups stormed embassy residences during diplomatic receptions, bagging prominent guests as hostages; and both called for the release of jailed colleagues. For the Colombian and Peruvian governments, Cuba appeared to be the best option for the "safe haven" solution.

But there are also significant differences. In the Bogotá siege, the then president of Colombia, Mr Julio Cesar Turbay, kept his distance, using foreign ministry officials to negotiate with guerrillas "so as not to give

the guerrillas status... so as not to magnify the spectacle," as he explained later. Communication in Bogotá got under way almost immediately. In Lima, Mr Fujimori has played a prominent role, the government chose a minister as "interlocutor" and eight weeks passed before official talks began. By this time, positions were entrenched.

Since the breakdown of preliminary conversations two weeks ago (when it was revealed that Peruvian security forces were digging a tunnel to the residence), the burden of negotiation has fallen upon the so-called guarantors. Obligated to assume the role of mediators, Mr Anthony Vincent, the Canadian ambassador, and Peru's Archbishop Juan Luis Cipriani are now talking to both sides separately.

Meanwhile, pressure from Japan to accelerate negotiations is increasing. This week's visit by Mr Masahiko Komura, deputy foreign minister, to Lima, Cuba and the Dominican Republic (for talks on asylum offers) underlines the domestic political importance of the Lima hostage-taking. Japanese officials in Lima say Mr

Ryutaro Hashimoto's government could fail if the crisis is not satisfactorily resolved.

The most likely solution seems to hinge on improvement in Peruvian prison conditions. This was stressed by Ms Odilia Campos de Polay, mother of the MRTA's founder leader, Mr Victor Polay and in the audience at this week's seminar.

Mr Polay is serving a life sentence for terrorism in the high-security jail at the Callao naval base outside Lima. His cell is in the same purpose-built facility as that of Mr Abimael Guzmán, founder of the notorious Sendero Luminoso, or Shining Path, Maoist guerrilla group. Ms Campos called the dark, 2m sq cell "a tomb", and the tough regime "sadistic and inhuman".

A smartly-dressed, well-educated 60-year-old from a family brought up in the Latin American tradition of leftist struggle, Ms Campos insisted her son "never used unnecessary force". She accepted responsibility that Mr Fujimori would not free him. "All now depends on the negotiating skills of [hostage-taker] Néstor Cepero," she said.

"If he can negotiate for more humane conditions in line with the international treaties Peru has signed, he will have achieved a lot."

Hollywood spends 20% more on advertising

By Christopher Parkes in Los Angeles

Hollywood spent the equivalent of 30 per cent of domestic box office revenues on promoting its films in the US last year.

The 20 per cent surge in advertising spending to \$1.68bn was the most spectacular peak reached in a year when the industry broke all domestic records. Admissions rose 6 per cent to 1.34bn and ticket revenues increased almost 8 per cent to \$5.9bn. But the sharpest rises were recorded in costs as production spending per film rose 9.5 per cent to an average \$40m, according to the Motion Picture Association of America.

Actors' pay increased 12 per cent, the Screen Actors Guild said at the weekend. While pay for television work was 10 per cent higher, income from film roles jumped by more than 20 per cent.

Competition between cinema chains kept the price of the average ticket at \$4.40, a 1.5 per cent increase well below the general rate of inflation.

According to the Competitive Media Reporting monitoring service, Walt Disney was the top spender on advertising, with a total bill of more than \$450m divided between its Buena Vista and Miramax sub-

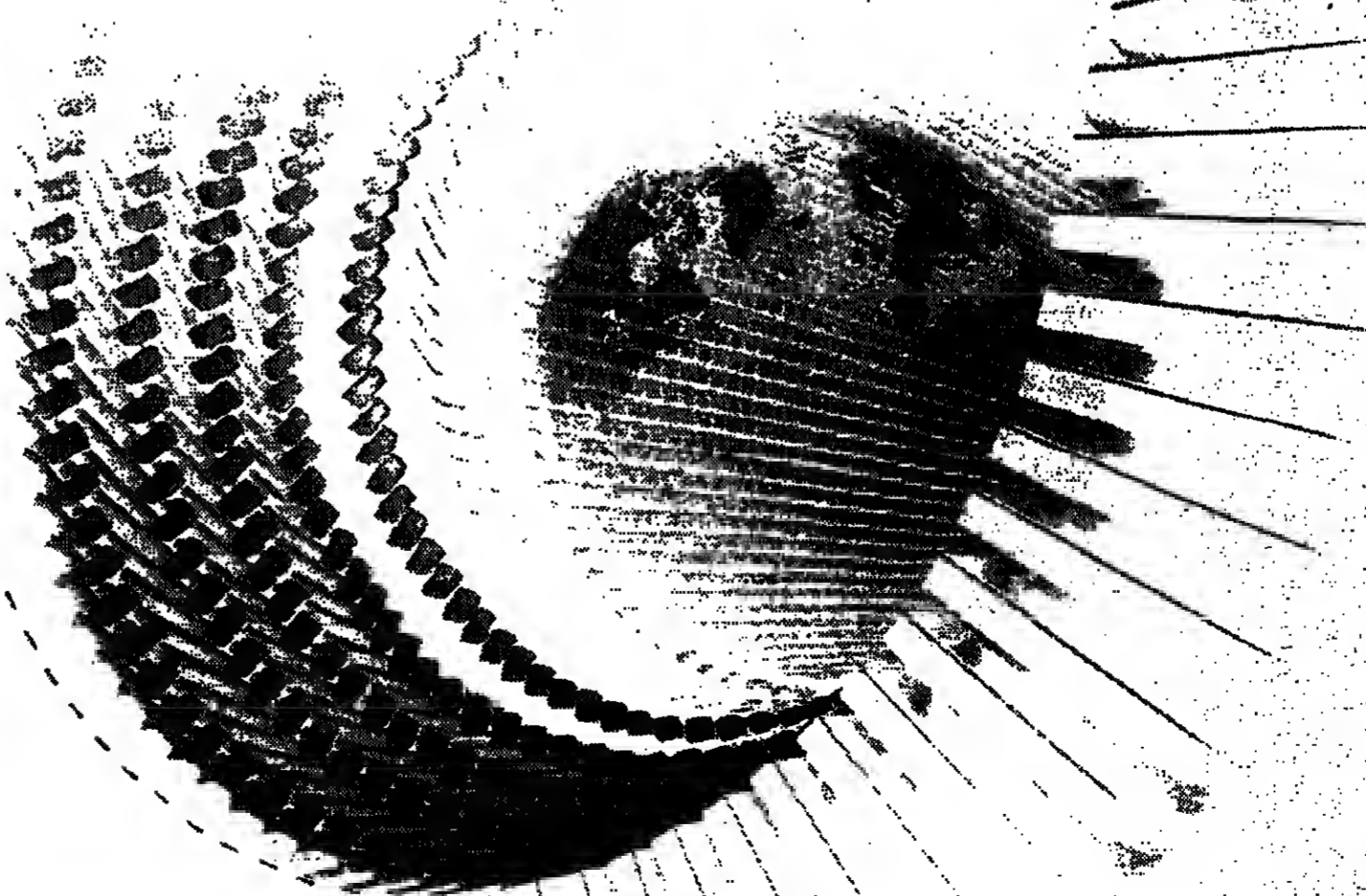
sidaries. Other leading promoters included 20th Century Fox, the News Corporation subsidiary, which equalled the \$12m average outlay per film of Disney's Buena Vista division. The Competitive Media figures, which exclude other promotional efforts such as trailers, events and giveaways, showed more than a third of studio advertising budgets were spent on television commercials.

Last year's 35 per cent increase in billings in this sector was sparked by a months-long promotion for Fox's Independence Day, which grossed more than \$300m in the US. However, TV is an increasingly important means for studios to reach people who may not go to the cinema, but who buy or rent video versions of films and spend money on the consumer products increasingly associated with hit movies.

Heavy domestic promotion is also considered a vital element in global marketing plans on the principle that a film which fails to make a splash in the US is unlikely to prosper abroad.

Although the Motion Picture Association of America, the industry's main lobby group, does not monitor foreign box office sales, it estimates they are now approximately equal to domestic revenues.

One-stop global sourcing



Innovative ideas are the raw material of the future. To stock up with all you need, look no further than HANNOVER MESSE. With around 7,000 exhibitors from over 60 countries, it's the biggest industrial fair in the world - a source of satisfaction in itself.

- Automation Technology
- Power Transmission and Control
- Subcontracting
- Industrial Materials
- Research and Technology
- Factory Equipment and Tools
- Computerized Air Technology
- Production Equipment for Electrical Engineering and Electronics
- Rail Transport Technology
- Lighting Technology (World Light Show)

More ideas about new ideas than ever.



HANNOVER MESSE '97
14-19 APRIL

For further information: <http://www.hannovermesse.de>

For further information: Arnold Rustemeyer, 25 Hurst Way, South Croydon, Surrey CR2 7AP, Tel: (01 81) 688 95 41, Fax: (01 81) 681 00 69

هناك من لا يرى

VIDAS HUMANAS
HUMAN LIVES!
LES VIES HUMAINES
stage expert

Who's bringing
state-of-the-art
vision care
to countries
around the
world?

 **NOVARTIS**

The world's leading Life Sciences company.
Formed by the merger of Ciba and Sandoz.


new skills in the science of life.

© 1997 Novartis AG



To find out more about Novartis and our new skills, visit our website at www.novartis.com

NEWS: INTERNATIONAL

Mobutu appears in public

By Michela Wrong in Nairobi

Determined to scotch rumours that his advancing prostate cancer had killed him, Zaire's President Mobutu Sese Seko yesterday appeared in public for the first time since returning home from France last week. But his one-minute speech and exhausted appearance did little to allay the growing sense of panic in Kinshasa, the capital, where foreign nationals are preparing to be evacuated by US, French and Belgian paratroopers.

"I have returned not to devote myself to Mobutu's interests nor to Mobutu's fortune... but to the higher interests of Zaire, that is to say our unity and our territorial integrity," Mr Mobutu told journalists at the military Camp Tshatshi before talks with Mr Thabo Mbeki, South Africa's deputy president.

Looking tired and thin, the 66-year-old president gave no hint as to what approach he intended to discuss with Mr Mbeki, who is leading South African efforts to sponsor a peace deal between the regime and rebels now in control of nearly a third of Zaire.

Mr Mbeki's trip to Kinshasa comes as western powers step up pressure on both sides in the war to negotiate. The hope was that having won control of Kisangani, Zaire's third largest city, the rebels could be persuaded to halt their advance rather than overstretch their supply lines.

But such hopes seemed futile on Saturday when Mr Laurent Kabila, leader of the Alliance of Democratic Forces for the Liberation of Congo-Zaire (ADF), rejected Mr Mobutu's call for a truce and the establishment of a national council to find a way out of the crisis.

Addressing a 5,000-strong rally in Kisangani he told Mr Mohamed Sahnoun, the visiting United Nations envoy, negotiations would have to precede a ceasefire, not the other way round.

"Gunfire is the only language Mobutu understands," he said. The rebels now claim to be 200 km (125 miles) from Zaire's second city Lubumbashi and 100 km from the diamond capital of Mbuji-Mayi. As they extend their advance, a military coup by generals exasperated by both Mr Mobutu and his prime minister, Mr Kengo Wa Dondo, is increasingly likely.

Preparations by the US, France and Belgium to evacuate their nationals yesterday highlighted the fact that foreign governments now regard a breakdown in law and order - whether in the form of a coup or an outbreak of army looting - as imminent.

Action on TB would bring big economic returns, says WHO

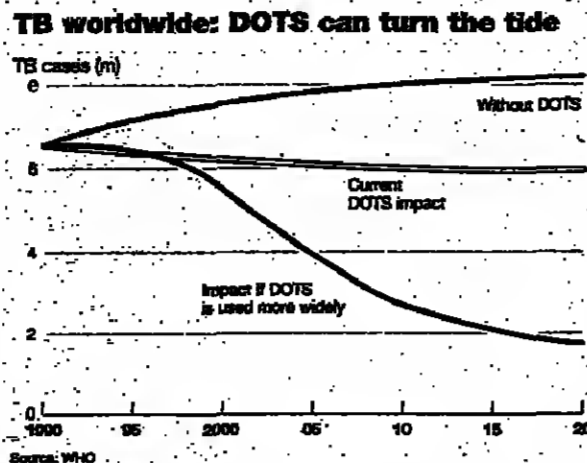
By Clive Cookson, Science Editor

Effective tuberculosis control programmes would bring huge economic returns as well as health and social benefits, according to a report released by the World Health Organisation today, World TB day.

Tuberculosis kills an estimated 3m people a year - more than any other infectious illness.

The first detailed economic study of TB treatment has been carried out for WHO in India, where about 30 per cent of the world's tuberculosis cases occur. It shows that, if the Indian government spent \$200m a year on an effective control programme, the tangible benefits to the economy would be worth at least \$750m a year - and might be much greater.

Comparable benefits for the world as a whole would run to billions of dollars a year and could exceed \$20bn a year, says Dr Joel Almeida, medical officer at the WHO global TB programme, who



carried out the Indian study with Professor Ravindra Dholakia and colleagues at the Indian Institute of Management, Ahmedabad.

A similar study, soon to be published for Thailand, will show a larger benefit per patient there than in India because average income is higher, Dr Almeida says. The same would apply to other rapidly industrialising Asian countries such as China and Indonesia, which

account between them for over 40 per cent of the world's TB.

WHO's recommended control strategy is DOTS (directly observed treatment short-course). This requires each patient to take a combined dose of four powerful antibiotics every day (or on alternate days) for six to eight months.

The main feature of DOTS is that a health worker observes the patient swallow

every dose and monitors his or her progress until the disease is cured.

This strict supervision is a striking contrast to what happens today in India and many other developing countries: doctors prescribe antibiotics in a haphazard way and they make little effort to ensure that the patients take the whole course. As a result, people stop taking the drugs when they feel better but before the TB bacillus has been eliminated from their body.

Then, after a while, the disease returns - sometimes in a drug-resistant form more difficult to treat.

At present DOTS is used for no more than 10 per cent of the world's TB patients, although the latest WHO statistics show that it is far more effective than other approaches.

Typically achieves cure rates of 80 to 90 per cent, compared with about 40 per cent for unsupervised treatment.

Indeed Dr Arata Kochi, director of the WHO global TB programme, says there is

clear evidence even 10 per cent use of DOTS has led to a levelling off of the worldwide TB epidemic after decades of growth. "We now know that if we use DOTS more widely, we can send the epidemic into decline and can save many millions of lives in the next 10 years," he says.

The WHO's target is to raise the DOTS treatment rate from one in 10 to seven in 10 patients worldwide. That could halve the number of new TB cases, Dr Kochi says.

The world's governments and aid agencies would need to spend an additional \$500m a year to achieve a 70 per cent DOTS treatment rate, says Dr Almeida - an insignificant amount compared with the projected economic gains from having millions of people working healthily instead of sickening or dying from TB. The Indian study shows economic benefits would justify spending as much as \$750m a year on TB control in India, assuming a "discount rate" as high as 16 per cent.

Campaign row muddies Gore trip

Patti Waldmeir and Tony Walker on complications for US-China relations

If China announces a billion-dollar aircraft contract with Boeing this week, as expected, Vice-President Al Gore wants to be there for the signing ceremony.

So say the officials with him on his visit to China: The vice-president will be glad to show his face at any event which proves the worth of economic engagement with China.

The fact that the US officials were forced to make such an apparently self-evident protestation - that Mr Gore would jump at the chance to claim political credit for US export jobs - captures the essence of current difficulties over US-China relations.

The Boeing deal, which is all but sealed, is important because it marks renewed Chinese willingness to buy from an American company, after Boeing lost out to European companies in two other recent Chinese deals.

But in the climate of accusation which reigns in Washington, where the US Justice Department is investigating claims that Chinese officials tried to influence the last US election, any such deal could be portrayed as a pay-off.

Every gesture toward China, every halting step in the process of what the State Department calls "comprehensive engagement", will henceforth be scrutinised for links to campaign donations.

The White House has felt that scrutiny intensely ahead of the vice-president's

US TRADE WITH CHINA (\$bn)				
	Exports	Imports	Deficit	Commerce Dept deficit
1991	7.3	16.2	8.4	12.7
1992	9.5	21.5	11.9	18.2
1993	11.7	25.9	14.2	22.8
1994	12.8	32.5	19.7	29.5
1995	15.9	39.0	23.1	34.0

Figures adjusted to take account of the high proportion of Chinese trade which flows through Hong Kong, but excluding value added there.

Excludes trade with Hong Kong. Source: Institute for International Economics and Brookings Institution

trip, which will focus on China (but includes Japan and South Korea too). US newspapers reported last week that Mr Gore might distance himself from any Boeing connection while in China, quoting White House officials who leaked a story saying the vice-president was concerned at the political consequences. His staff say the reports are ill-informed.

Whatever the truth, the political facts are clear: the campaign fund-raising furor, with its strong Asian connection, will complicate one of America's most important bilateral relationships - at least in the short term.

And it makes a delicate trip to Beijing all the more difficult for Mr Gore, the highest ranking US official to visit China since the 1989 Tiananmen Square massacre, and since the death last

month of Deng Xiaoping. US officials say their biggest short-term problem is that the US funding row has exacerbated Chinese suspicions of US intentions. "The Chinese still worry that our attitude is one of hostility," says one official. "They seem to feel that there's a conspiracy against them, and that government officials are leaking stories against

them over a resolution calling on Beijing to honor its commitments to Hong Kong, saying this smacked of containment. "This once again reveals the ugly mentality of some members of the US Congress who want to lord it over the world," the paper said.

The official Xinhua news agency criticised the American media for its reporting of the fundraising issue. "Acting like someone who chases the wind and clutches at shadows, some American media took the chance to create sensation news without any fact in a vilification campaign against China," said Xinhua.

Relations with the US are further complicated by a dramatic rise in the bilateral trade deficit, which is a potent issue in Congress.

'The Chinese worry that our attitude is one of hostility. They feel there's a conspiracy' - US official

According to US figures, the deficit was \$40bn last year and in January it rose to \$3.72bn compared with \$2.74bn in January 1996. China rejects the figures, saying the deficit last year was closer to \$10m.

Sensitive to the political implications of these figures, a senior Chinese trade official said the government was encouraging companies to increase imports of US products. "The trade issue has become such a general concern to the American

people from all walks of life that failure to handle the issue properly could hold up the normal development of economic and trade relations between the two countries," said Mr Sun Zhenyu, vice-minister of foreign trade.

Administration officials say Mr Gore - who will make environmental concerns a big focus of his visit - cannot avoid discussing trade and economic matters in his attempts to pave the way for a summit between President Bill Clinton and President Jiang Zemin. But any concessions on WTO accession could raise allegations of a pay-off.

Administration officials insist that the fundraising furor did not affect the vice-president's trip. "We're not modifying anything we're doing because of what's going on around town," says one official, obviously exasperated by unprecedented adverse publicity.

But the time is approaching when the rumpus affects not only politics, but policy as well. Inevitably, the US must be cautious in appearing conciliatory to Beijing, whether on WTO accession or any of the other big issues this year - including most favoured nation trading status, and even more crucially, the future of Hong Kong. The fund-raising issue is a complication which could rapidly become a serious constraint on US policy. Additional reporting by William Dawkins in Tokyo and Layla Boulton in Washington.

INTERNATIONAL NEWS DIGEST

Airport sell-off for Düsseldorf

The government of North Rhine-Westphalia is planning to sell to the private sector its 50 per cent share in Düsseldorf airport, which was badly damaged by fire in April last year. More than 10 companies are understood to have expressed interest in rebuilding and expanding the international airport which, prior to the fire, ranked number two in Germany behind Frankfurt. The package Hochtief, the construction company. An estimated 1.5bn (\$1.1bn) investment would be needed to upgrade the airport to a level that would increase passenger numbers from 15m a year to 22m as well as modernising buildings and security.

Details of terms being sought by the state government have not been disclosed but the fire - which killed 18 - has substantially reduced the sale price. Extensive fires swept through the airport after welding sparks started a fire that burnt plastic cable insulation. Flughafen Düsseldorf is jointly owned by North Rhine-Westphalia and the Düsseldorf city authority.

Toblerone chocolate recall

Some 500 tonnes of Toblerone, Switzerland's best known chocolate bar, are being recalled after a routine check revealed the presence of illegal genetically altered soybeans. Kraft-Jacobs-Suchard, part of Philip Morris, the US food giant, said it had been assured by its German supplier that the lecithin it used in manufacturing Toblerone was free of genetically altered soybeans. However, government food inspectors in Bern found traces of genetically altered soybeans in a routine check of the company's plant in Bern.

The decision to recall Switzerland's most famous chocolate bar underlines the growing problems facing Switzerland's food industry as it tries to balance consumer concerns about genetically altered soybeans with the practicalities of finding a reliable source of non-genetically engineered soybeans.

Last December Switzerland agreed to permit imports of genetically altered beans. However, the decision was later postponed after complaints from consumer groups and opponents of genetic engineering.

Cuba-US diplomatic spat

Cuba traded accusations with the US government at the weekend over a US diplomatic bag to Havana, which Washington said was opened by Cuban officials. The US State Department said on Friday its diplomatic pouches to Havana were being interfered with and one was actually opened. The US had protested to Cuba over what it called this "blatant violation of international diplomatic law". Cuba's foreign ministry, rejecting the US charges, said on Saturday the US diplomatic pouch in question had arrived in Havana already open on a foreign airline last month. But it added the pouch was found to contain pocket editions of a US government document called "Support for a Democratic Transition in Cuba".

This document, issued by US President Bill Clinton in January, forms part of the one-year-old US Helms-Burton law, which specifically demands Cuba abandon one-party communist rule and embrace multi-party democracy.

The Cuban foreign ministry said that the US interests section in Cuba was clearly intending to distribute the document, which Havana viewed as "offensive". The Cuban ministry said this was a violation of international diplomatic regulations.

Yasin eyes new post

Mr Yevgeny Yasin (left), the liberal former economics minister, is expected to be appointed tomorrow as Russia's minister for strategic development of the economy, according to observers close to the government. Mr Yasin, a market economist who has long acted as a mentor to Mr Anatoly Chubais, the new first deputy prime minister, will play an advisory role in the government, analysing economic trends and setting out long-term strategy. In London yesterday to open a Foreign Investment Promotion Centre, Mr Yasin said long-awaited restructuring of the powerful Unified Energy Systems, the national electricity company, which will detach the national power grid from electricity producers, will start this year and will take up to two years to complete.

Mr Yasin wants the electricity monopoly to be divided into a state-owned regulatory company to which will oversee transmission of electricity and several power generating companies. The majority of power generators will be privatised.

Brazil to cut budget

Brazil is planning sharp cuts in its budget for 1997. Mr Antonio Kardec, planning minister, said the government would cut R\$3.1bn from planned expenditure, producing a primary budget surplus, which excludes interest costs, of 0.8 per cent of gross domestic product. The public sector as a whole would post a 1.5 per cent surplus.

The government's reforms have cut inflation to single-digits, but cutting public spending - which economists view as central to keeping inflation low - have proved harder to achieve.

Public spending plans received a further blow last month when the country's highest court voted to award a 28 per cent pay rise, which was given to the military in 1995, to all federal civil servants.

Indonesia gold mine row

The senior geologist at Canadian exploration company Bre-X Minerals has dismissed as ludicrous doubts about the size and commercial viability of what is claimed to be the world's largest gold deposit.

Mr John Felderhof, the senior vice-president for exploration who shares credit for the discovery of the Bussang deposit in the Indonesian province of east Kalimantan, reacted angrily to reports in an Indonesian newspaper, Harian Ekonomi Negeri, which said that Bussang's reserves could be below the 71m proven ounces estimated by Bre-X.

Mr Felderhof suggested last month that Bussang's reserves could be as much as 200m ounces. He declined to comment further. The Harian Ekonomi Negeri report referred to a review by Freeport-McMurray Copper & Gold, the US mining company, which plans to develop Bussang and is now undertaking "due diligence".

Mr Felderhof returned to Jakarta over at the weekend following the apparent suicide of his colleague geologist, Mr Michael de Gooijer, who helped to discover the Bussang reserve.

Canadian immigration authorities have arrested a man suspected of the Saudi Arabia bombing that killed 18 US soldiers last year. The Toronto Sun cited unnamed sources as saying that Hanf Abdel Rahim Hussein Al-Sayegh, 28, was wanted by the FBI in connection with the bombing and could be deported following a hearing likely this week. Authorities appear set to charge four Sikh men from Vancouver in connection with the 1985 bombing of an Air India 747 off Ireland that killed 329 people.

Gulf between 'haves' and 'have-nots' of developing world as 12 countries receive 73% of funds

Inflow of private capital to emerging nations hits record

By Layla Boulton in Washington

Record levels of private capital flowed to developing countries last year, driven by "good" macroeconomic policies, infrastructure privatisation and investors' thirst for higher yields, according to a World Bank report published yesterday.

But that good news was undermined by the Bank's warning that official development aid continues to shrink at a time of big disparities between countries' access to private capital.

For example, foreign direct investment, which increased by \$14bn last year to \$110bn - a fourfold increase since 1990 - ranged from 6.5 per cent of gross national product in Malaysia and Vietnam to 0.5 per cent in the Middle East and North Africa.

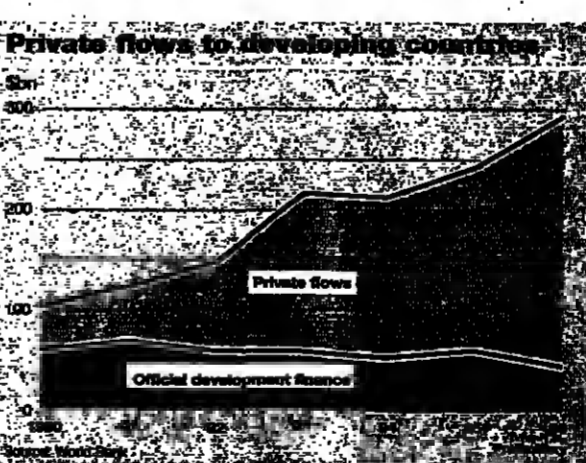
Despite a \$90bn increase to \$243.5bn last year in private capital flows to developing countries - up from \$44.4bn in 1990 - 73 per cent of the money went to 12 countries. This was nonetheless an improvement on 1990, when 84 per cent of the money went to a dozen countries.

tries, including China, whose share of private capital flows has since risen from \$8bn to \$52bn.

In contrast, grants and official low-interest credits, which account for the bulk of foreign aid, fell by an estimated \$1bn to \$44bn last year, representing a 3 per cent drop in real terms from 1990 levels. Mr Joseph Stiglitz, the Bank's chief economist, said markets were becoming "more discriminating" in favour of good policies pursued by more and more countries to control inflation and budget deficits.

Mr Himmat Kalsi, a financial analyst at the Bank, added that western portfolio investors were not only "more risk tolerant" and international capital markets more liquid. Emerging country debt offered higher yields and longer maturities, than on US securities, while debt rescheduling was increasing borrowers' access to private capital markets.

Mr Kalsi noted that 31 extra countries had gained new access to international bond and equity markets in the past two years alone. Mr Stiglitz, who until recently worked in the White House, added that he did not believe that any US move to increase interest rates would be enough "significantly" to affect private capital flows to emerging markets. He expressed "serious concern" however about a stagnation in official aid flows. These have suffered further as the proportion of aid devoted to emergencies such as refugee relief, as opposed to long-term development and poverty alleviation, has increased to 13 per cent from two per cent of the total in 1990.



new access to international bond and equity markets in the past two years alone.

Mr Stiglitz, who until recently worked in the White House, added that he did not believe that any US move to increase interest rates would be enough "significantly" to affect private capital flows to emerging markets. He expressed "serious concern" however about a stagnation in official aid flows. These have suffered further as the proportion of aid devoted to emergencies such as refugee relief, as opposed to long-term development and poverty alleviation, has increased to 13 per cent from two per cent of the total in 1990.

Mr Stiglitz conceded another contributing factor to a growing gap between "haves and have-nots" within the developing world was the inability of some countries to get their good news across to investors. Some African countries which had pursued the right

macroeconomic policies for years had not received a significant share of foreign investment and loans.

Partly for this reason, he rejected suggestions that as the role of private capital increased, the Bank's own role was at risk. He added that even countries able to tap private markets still turned to it for policy-making expertise and its ability to offer "an honest broker view of what is going on". But the increase in private funding would also allow the Bank, which is undergoing its own restructuring, to focus increasingly on playing a "complementary" role to the private sector, devoting more of its resources to improving education, health and environment.

Global Development Finance (formerly World Debt Tables), The World Bank PO Box 1247-9618, Philadelphia PA 19170-9618, USA tel (703) 661-1580 fax (703) 661-1501

LEGAL NOTICES

SOVEREIGN HIGH YIELD INVESTMENT COMPANY N.V.

Notice of Special Meeting March 27, 1997

Please take notice that at the request of the Board of Supervisory Directors (the "Board") of Sovereign High Yield Investment Company N.V. (the "Company"), State Street Curacao Trust Company N.V., the Company's administrator and managing director (the "Administrator"), hereby calls a Special General Meeting of Shareholders (the "Special Meeting") of the Company to be held at the offices of the Administrator, located at 15 Pilsenerstraat, Curacao, Netherlands Antilles on March 27, 1997 at 4:00 p.m. Netherlands Antilles time. The Board is proposing that the shareholders of the Company adopt the following proposals:

- To approve the Company's balance sheet, profit and loss account, and explanatory statement for the fiscal year ended August 31, 1996.
- To elect John I. H. Swingshousen to replace Javier A. Gonzalez Fraga as a Supervisory Director of the Company.

By State Street Curacao Trust Company N.V.
telephone: (599-9) 656995
telex: 3399-956068

WAVE SYSTEM PRESENTS:

EYE DETECTRY

THE WORLD'S MOST SOPHISTICATED HIGH SECURITY ACCESS CONTROL SYSTEM AVAILABLE

THE EASIEST TO USE!

WAVE SYSTEM

ORDER: 1-800-451-167

3-1000 ANTWERP

TEL: 32-3-5420116

FAX: 32-3-542 45 63

British Gas faces court over database use

By Jane Martinson

The data protection watchdog will begin legal action against British Gas Trading this week to stop the utility using its customer database to sell other services.

The unusual step comes after the domestic gas supply arm of Centrica sent leaflets two weeks ago to its 19m UK customers asking them whether they wanted information about additional products.

Now Ms Elizabeth France, the

data protection registrar, may issue an injunction against British Gas, depending on its response to a preliminary notice, to stop it using its database to sell products such as financial services.

Centrica intends to use its new \$100m (\$159m) centralised database to sell products ranging from financial services to electricity.

The issue has implications for companies wishing to compete in the gas and electricity markets, set to be fully liberalised next year. Two other utilities are also

understood to be facing action, but the scale of British Gas's activities makes its case urgent. British Gas's leaflet, which customers had to fill out and return in order not to receive information about a range of services, was judged by officials at the registrar to be unlawful and unfair, the two key principles behind the 1994 data protection act.

In a report delivered to Ms France on Friday officials recommended she should start enforcement action by issuing a preliminary

notice to British Gas. She could do so as early as today. "Lawfulness is a big, big issue," she said. "But even if this were disputed there would still be the issue of fairness."

The registrar told British Gas earlier this month to wait for official guidance on whether it can use its database to sell other products before sending out information to clients. Her belief in the unfairness of the leaflet was fuelled last week when gas customers returned them to the registrar, rather than British Gas.

"People don't understand what they are doing," said an official. British Gas will have 28 days to respond to the preliminary notice. Ms France hopes that full legal action will not be necessary. "We have always operated on the basis that we want compliance, not scalps," she said.

Centrica refused to comment until it had seen the official notice. However it has argued the leaflets are simply giving customers a choice about whether or not

to receive further information. If the matter is not resolved after 28 days the two sides will go before a tribunal. Meanwhile, the registrar could issue an injunction to stop the company using any of the information it had gathered.

Ms France admitted the issue raised concerns about the data protection law itself, which is to be reviewed in October. "No doubt, one of the problems is my powers are reactive," she said. "I don't have the power to go in first."

Transfer of Crown Agents completed

By Liam Halligan, Political Staff

The privatisation of Britain's Crown Agents, the overseas procurement agency involved in contracts worth \$4bn annually, has been completed.

The deal had been thrown into uncertainty last week when Labour, the highest opposition party in the House of Commons, withdrew its support. Although the transfer was authorised in principle in 1995, binding decisions require the opposition's approval during an election campaign.

Ms Clare Short, Labour's overseas aid spokeswoman, said: "I originally wanted to review the transfer, but if we had not agreed now, the \$5.5m of public money set aside for the project would have been returned to the Treasury."

Ownership will be transferred to the Crown Agents Foundation, a company limited by guarantee, comprising a range of commercial entities, charities and development institutions.

Members of the foundation - which include Barclays Bank, Unilever and sugar refiners Tate and Lyle - will not invest capital. Profits will be reinvested.

Crown Agents, founded in the 1830s, buys goods and manages projects for governments outside Britain, using a network of 1,000 staff in 40 countries. Although playing a significant role in delivering Britain's overseas aid programme, it has operated at no cost to the Treasury for several years, with the vast majority of its business financed from other sources.

It earned \$50m (\$95m) in fees last year, with clients including the World Bank, the European Community and the United Nations. Privatisation is designed to allow the foundation to take on private sector projects and form joint-ventures, while maintaining a reputation for impartiality and integrity.

Labour backs up pledge on tax rates

By David Wighton, Political Correspondent

Mr Gordon Brown, the shadow chancellor, yesterday bolstered Labour's pledge not to raise income tax rates by adding a commitment to retain the current ceiling on employees' national insurance contributions.

He also sought to clarify Labour's plans for a windfall tax on the privatised utilities by stressing that companies eligible for the levy would not necessarily face a tax bill.

Although Labour dropped the idea of abolishing the national insurance cap after the 1992 election, there has been continued speculation that the proposal might be revived in government.

But Mr Brown yesterday ruled out raising the ceiling. "We said in 1992 that we weren't returning to this... and there can be no doubt about that," Mr Brown did not say whether the commitment was for the life of the next parliament, but an aide said: "The idea is dead and buried."

The pledge was designed to provide further reassurance as Labour prepares to publish its separate business election manifesto.

The document will include

a commitment to set up a working party with business to establish priorities for the UK's presidency of the European Union in 1998. The plan was drawn up after discussions with the Confederation of British Industry which has said it would join the working party.

On the windfall levy, Mr Brown made clear that while a wide range of utilities would be considered for the tax, the size of their liability would depend on the "excess profits" they had generated.

His comments follow last week's confirmation that the tax would in principle apply to all those privatised companies which are "licensed and regulated by statute". This definition includes companies such as British Telecommunications and BAA, the airports operator.

However, Labour figures close to Mr Tony Blair, the party leader, have stressed that merely because a company would be eligible for the tax would not mean it would face a significant bill. The implication is that the bulk of the tax would fall on the water, electricity and gas companies. They have also suggested that the tax would raise nearer \$3bn, (\$4.7bn) rather than the \$5bn-plus indicated by Mr Brown's team.



Shadow chancellor Gordon Brown yesterday ruled out raising the national insurance ceiling

Although Mr Brown has refused to say precisely how an individual company's liability would be calculated, he has said it would reflect any weakness in regulation, exploitation of a monopoly position and underpricing of the shares at flotation. Analysis by the Financial Times has shown that, depending on the precise details, such a definition of excess profits could leave BT with little or no liability.

● The Labour party has modified its commitment to ban all tobacco advertising and promotion. The mea-

sure, promised as one of the earlier acts of a Labour government, may now be limited to banning advertising in the wake of fears that sport could suffer if tobacco's support for sports ranging from grand prix racing to cricket, snooker and darts was suddenly truncated.

Mr Chris Smith, Labour's shadow chief health minister, who has taunted the Conservative government recently over its refusal to tackle tobacco advertising, said the commitment to an advertising ban remained strong.

Soccer brings to book poor literacy

By David Wighton

Four soccer clubs in the UK's Premier League are backing a Labour party plan to provide study centres at their grounds to help tackle poor literacy levels among primary school children.

Chelsea, Arsenal, Newcastle United and Sheffield Wednesday have all agreed to help fund the facilities which will also provide supervised homework sessions and lessons on basic skills for secondary school pupils.

The schemes are designed to harness youngsters' interest in football to improve their motivation. The prospect of a game after the lessons is expected to be a powerful incentive.

Mr David Blunkett, Labour's education spokesman, said: "It is an excellent and cost effective way of raising standards, improving pupil motivation and boosting literacy. It is a unique and valuable venture in which everyone's a winner."

The centres will each cost £50,000 to build and a further £100,000 a year to run. A third of the money would be provided through from a grant scheme within the education budget, with the clubs funding the rest from their own resources and private sector sponsorship.

Central bank to tighten risk supervision

By George Graham, Banking Correspondent

UK central bank inspectors are to spend more time visiting banks as part of an ongoing shake-up of the way it supervises risk.

The new system follows criticism of the Bank of England's supervisory role in high-profile crises such as the collapse of Barings and Bank of Credit and Commerce International.

The changes, to be announced today, will give supervisors a more consistent framework for judging whether a bank is running more risks or has fewer controls than its competitors.

Inspectors will talk to senior managers and examine how banks are managed. They will visit low-risk banks less frequently, while banks which are living dangerously could be forced to increase their capital as a cushion against the extra risks they are running. High-risk banks could see their licences withdrawn.

Inspectors will aim to visit each "significant management unit" - any business grouping which accounts for 5 per cent or more of revenues, pre-tax profits or capital, or any other unit which poses a significant risk.

In 1996, this would have led supervisors to visit the

Singapore arm of Barings. The new framework builds on changes proposed last year after a review by consultants Arthur Andersen, which itself followed recommendations for an overhaul of the Bank's supervisory structure in the wake of the Barings collapse.

Many elements in the proposed new supervisory framework are already used in practice. Mr Michael Foot, head of the Bank's banking supervision, hopes the new system will ensure all supervisors are measuring the banks in their charge by the same yardstick.

Supervisors will seek to meet the chief executive, other directors - including some non-executives, especially the chairman of the audit committee - the chief financial officer and head of control functions such as risk management, internal audit, information technology and human resources.

"One of the problems in the past has been that we have tended to talk to too narrow a range of managers," said Mr Foot. "If these proposals lead to better supervision of material risks through a process which is less bureaucratic, they will carry industry support," said Mr Peter Vipond of the British Bankers' Association.

Lloyd's fights die-hard Names

The market is still being pursued despite last year's settlement

Litigating die-hards concerned that Lloyd's of London Names have thrown away their right to sue the insurance market by accepting the terms of its recovery plan last September can draw comfort from the knowledge that, for some, the battle may rumble on.

A rump of US Names - the individuals whose assets have traditionally backed Lloyd's - are embarrassing the insurance market in the American courts as it tries to restore its reputation after years of financial and legal problems.

Lloyd's is trying to overturn a ruling in a Californian court of appeal which has allowed US Names to sue it under US securities fraud and racketeering laws. It has demanded that the case be reheard and has also enlisted the support of the British government, which attacked the ruling last week.

But the litigation does not end there.

Mr John Miller, a former Lloyd's policyholder and 44-year-old resident of Monte Carlo, has returned to a Florida court to sue a group of the insurance market's underwriters.

He alleges they deliberately withheld money owed to him in an act of "bad faith". If a ruling is made in his favour, he could be awarded up to \$25m (\$40m).

Mr Miller is no stranger to legal tussles with Lloyd's. He sold all of the family silver and an art collection to finance a nine-year battle over the insurance claim for his storm-damaged yacht. He

The Feltrim Names Association will be asked to approve going into 'suspended animation'

Damon de Lazzio, Feltrim chairman

won that fight three years ago: a bitter sweet result as much of the \$4.5m awarded went to his lawyers.

His prolonged struggle against the insurance market has seen him again take the witness stand just as another action in the UK reaches a climax.

The final arguments of a case brought by Lloyd's against investors who refused to accept its \$2.2bn offer compensating them for \$8bn in losses suffered from 1988 to 1992 are to be heard in the UK High Court today.

The insurance market is seeking to recover \$350m in debts from 1,755 recalcitrant Names.

A group called the United Names Organisation is fighting on their behalf and has alleged that Lloyd's committed fraud by recruiting Names while hiding knowledge of its losses. Lloyd's denies these charges and demands the Names should

pay their debts before suing. The UNO is also expected this week to try and take up the reins in another High Court action.

This case was originally brought by Names who have since settled but who claimed the way in which Lloyd's operates contravened European competition laws.

The Names had been in the process of appealing a decision in Lloyd's favour and the UNO wants to continue.

But the big action groups

of Names which led the fight against Lloyd's in the past are winding up.

The Sturge Names Action Group, which represented investors with projected losses totalling £1.4bn, holds its final meeting on Thursday, when it will cease to exist.

A separate offshoot will be created to fight a legal battle against solicitors Clyde & Co.

The Feltrim Names Association meets on Thursday too, when members will be asked to approve plans for putting the group into "suspended animation", according to Feltrim chairman Damon de Lazzio. The Feltrim Names will also be asked to approve remuneration of £1m for the group's committee members.

Outstanding litigation continues to embarrass Lloyd's. But there is little danger that all this litigation will unhinge the insurance market's completed recovery plan. More than 95 per cent of 34,000 Names worldwide accepted the settlement offer and agreed to pay a premium for reinsuring the old losses into Equitas.

Christopher Adams

Industry 'ill-prepared' for Emu

By Wolfgang Münchau, Economics Correspondent

British industry is ill-prepared for the European single currency, the finance directors of Britain's largest companies say in a report published today.

The 100 Group, made up of 140 finance directors of the largest UK companies, say companies may have spent a considerable amount of time considering the pros and cons of European monetary union but they have not yet made the necessary preparations for it.

Mr Edward Weiss, chairman of the group's working party on the single currency, said: "So far the main involvement of management has been to consider the economic arguments, but we have now got to move on. Monetary union will happen at some point and the effect

Leading finance directors stress action is needed whether or not Britain joins single currency

on the way we do business is going to be immense."

The report stresses a dual software problem: companies must change their computer systems to handle both the transition to the single currency and the "millennium bomb" - the inability of many computers to cope with the date change at the end of the century.

The group identifies a series of issues businesses must confront, irrespective of whether Britain joins Emu or not. It says Emu will create a larger, more liquid and more efficient capital market that may offer cheaper sources for long-term finance. Companies

should review their treasury management operations to seek lower borrowing costs and demand better pan-European services from their banks. In addition, the new currency could make prices and wages more transparent across Europe. The likely effect would be an increase in competition.

The report also suggests that banks and retailers in particular will need to pay closer attention to the changeover of cash-handling systems, including cash dispensers and tills.

Retailers may have to cope with two sets of notes in circulation during a changeover period.

Other areas identified by the group as needing further consideration are pensions and various legal issues. It is also concerned about the UK's continued access to the single market if Britain remains outside the single currency.

● Nearly three-quarters of companies are likely to seek exemption from the European Union working time directive when it comes into law in the UK, according to a survey published today by the Institute of Directors.

The survey of 700 company directors found 74 per cent would seek an opt-out from the legislation on the grounds that the "nature of their business made compliance impractical". Two-thirds cited the need to perform "urgent or unforeseen work" as the reason. The need to ensure continuity of production was also cited.

Zambia Investment Opportunities Conference

Zambia's privatisation programme has already been heralded as the most successful in Africa with foreign direct investment having trebled over the last three years. FT Conferences, in association with the Zambia Privatisation Agency, is holding a one-and-a-half day meeting in Lusaka, providing an ideal opportunity to learn about specific opportunities for potential investors resulting from the privatisation process. In addition to the formal conference programme, there is also the opportunity for private meetings with representatives from government ministries, local business and other institutions.

Confirmed Speakers Include

THE HON FREDERICK T J CHILUBA President of the Republic of Zambia THE HON RONALD D S PENZA MP Minister of Finance and Economic Development MR VALENTINE CHITALLU Chief Executive Zambia Privatisation Agency MR G CLIVE NEWALL President First Quantum Minerals Ltd THE HON DR ROLF LÜDERS Former Minister of Economy and Finance, Chile	MR G NICHOLAS SELBIE Managing Director CDC Investments MR TODD ANDERSON Director of Business Development Cyprus Amax Minerals Company MR RORY SIMPSON Managing Director Lever Brothers Zambia Limited DR BWALYA K E NG'ANDU Director General Zambia Investment Centre THE HON ALFAYO S HAMBAYI Minister of Commerce, Trade and Industry
--	---

The organisers reserve the right to alter the programme as may be necessary

To facilitate the participation of international organisations, attendance at the conference is free of charge to overseas delegates

To register NOW please fax this form to us on: (+44) 171 896 2696/2697

Zambia Investment Opportunities Conference 14 & 15 May 1997 Mr/Ms/Miss/Ms First Name _____ Surname _____ Position _____ Company/Organisation _____ Address _____ City _____ Postcode _____ Country _____ Tel _____ Fax _____ Type of Business _____	<input type="checkbox"/> Please send me further details regarding the Zambia Investment Opportunities Conference <input type="checkbox"/> Please reserve me a place at the Zambia Investment Opportunities Conference 15347B Please complete this form and return it to us: BY FAX (+44) 171 896 2696/2697 BY POST FT Conferences Maple House 149 Tottenham Court Road London W1P 8LL UK Tel: (+44) 171 896 2626
---	---

Data Protection Act: The information you provide will be held on our database and may be used to inform you of relevant offers and our associated corporate products, and for other party purposes.

MANAGEMENT

China is struggling to reconcile low executive pay with a market economy, says James Harding

Hidden compensations

Chen Chunbo is by any measure a successful Chinese businessman. He has managed the transformation of the Mapo County collective enterprise, a rag-bag of rural workshops, into the multimillion dollar Beijing Country Club, comprising a golf course, a race track, an entertainment centre and more.

Successful he may be, but his annual salary is only just over \$5,000 (£3,144). "One would naturally want more, but there are enough people already looking over my shoulder," he says.

Socialism with Chinese characteristics, the term coined by the late Deng Xiaoping to disguise China's conversion to capitalism, unleashed Chen and a generation of entrepreneurs. But, in one sense at least, Chinese companies are showing their communist credentials - the comrades in the boardroom are officially paid little more than the comrades on the shopfloor. As Chen explains: "This is executive pay with Chinese characteristics."

That, at least, is the official position. Taking into account the "grey income" - benefits, hidden compensation, directorships on subsidiaries and old-fashioned graft - executive income is privately estimated by government economists to be at least three times the stated figure.

The Communist party leadership, though, preoccupied by the widening gap between the rich and poor, clings to the nostalgia of an egalitarian salary structure. The Ministry of Labour issues general guidelines on remuneration recommending that the top executives should not, in principle, be paid more than three times the salary of ordinary workers. The guidelines apply to state-owned enterprises, covering about 70 per cent of workers in urban areas. The government's suggested pay scale for directors is tied to company assets: Yn20,000 (£1,500) a year at enterprises with assets of Yn100m, Yn30,000 at companies worth up to Yn500m and Yn50,000 where assets exceed Yn500m.

So the annual salary last year for the directors of China Eastern Airlines, the country's most profitable airline which floated to an enthusiastic welcome on the Hong Kong and New York exchanges earlier this year, was on average Yn43,370.

At Inner Mongolia Erdos Cashmere, the world's largest cashmere maker and one of the most successful companies in the textile sector, Wang Linxiang, president and general manager, is on a salary of Yn21,600. The management of loss-making companies with comparable assets would be paid the same.

The government acknowledges that the salaries are out of kilter with wages at foreign joint ventures or private Chinese enterprises, which are free from government intervention. At a foreign-Chinese joint venture, a



mid-80s manager might hope to earn more than \$25,000 a year, according to a Shanghai-based personnel consultancy.

However, labour ministry officials say changing state-sector salaries would involve "taking a hard look at the political situation... it would involve changing people's mindsets".

One such mindset is that of Jiang Zemin, China's president, who is painfully aware that while Deng's economic revolution lifted hundreds of millions of people have been left behind, resentful of their relative impoverishment. Jiang recently scolded party members and state employees who "have forgotten the party's good traditions characterised by arduous struggle, diligence and thrift".

He added: "In opening up to the outside world, we must actively make use of things from developed western countries... but we must be careful not to take the decadent things for miracles, or ulcers for treasures."

In such an atmosphere, even Shanghai businesspeople, who have a reputation for being brazenly materialistic, say talk of reforming the official pay structure is practically taboo.

"This is a very sensitive problem," says Tao Guoqiang, president of Forever Bicycle. "Of course, we think it is unfair. We think we should be paid better. But there are a lot of people who are unemployed or redundant workers with very low salaries. So this is not something we can really talk about."

While the managers grumble behind closed doors, the best and brightest young graduates are

doing the arithmetic for themselves. A survey last week in the Liberation Daily, the official Shanghai broadsheet, showed that Shanghai university graduates "ask for too much" when applying for a job. The average monthly salary in Shanghai last year was Yn888, but young people usually ask for Yn2,000 to Yn2,500 a month.

A recent straw poll of Nanjing graduates by Pacific Bridge, the US human resources company, showed 80 per cent said a foreign-Chinese joint venture was the most attractive kind of company

'Management gets luxurious housing, domestic staff, travel expenses, not to mention free banquets'

to Chinese workers seeking employment. Nobody thought a career at a Chinese state-owned enterprise appealing.

At Sinochem, the mammoth state enterprise under the umbrella of the Ministry of Foreign Trade and Economic Co-operation, the salaries of middle management are kept down "lest disparities in pay become obvious".

The price of that is a "brain drain, particularly the loss of young middle-level managers to foreign and private firms", says one company official.

Similarly, Citic, China's premier investment group, reports the "loss of young talent" as monthly salaries for top managers of a little over Yn2,000 and

"hidden compensations" are not enough to satisfy its staff's increasing aspirations.

The "hidden compensations" are substantial. At one of China's largest state-owned companies an official says: "The upper management gets free sedans with chauffeurs, luxurious housing, domestic staff, comprehensive travel expenses at home and abroad, not to mention free banquets and limitless expenses for winning and dining guests. Some also sit on boards of foreign companies or associated subsidiaries, giving them additional income."

Richard Graham, head of ING Barings in China, says "low remuneration has always allowed for the possibility of corruption".

As another Shanghai analyst puts it: "While the guy is general manager of a big company in China, he is king and everything he wants - his daughter's education in Vancouver, the holidays on Hainan Island, the cars and the carpets - is paid for. There is no separation of personal and private income. But when he leaves the company, he has nothing to fall back on. So what they do is milk the company as they near retirement."

The managing director of one of Shanghai's flagship manufacturing companies confirms that "special deals" to keep old managers comfortable in their retirement are common. "What people often do is arrange a little company, often a property business, set it up with the company's money and put themselves on the board. Even better, they establish a foreign subsidiary which can pay them overseas. That way they can then go on getting profits or consulting fees after they finish working," he says.

Economists at the Shanghai municipal government say the "grey income" problem, let alone the rising incidence of corruption, makes a serious dent in fiscal revenues. Official, taxable income last year was on average \$1,280 in Shanghai, but municipal forecasts suggest real earnings were three times that figure. At some of the state companies unofficial earnings exceeded official pay by as much as 10 times.

In an attempt to redress the balance between foreign and state salaries and staunch the growth of "grey income", Shanghai authorities last year introduced a trial bonus scheme for managers at some of the city's 200 state enterprises.

Directors of companies like Baoshan Iron and Steel, one of the largest steel makers in Asia, continue to receive standard salaries, but can earn bonuses worth up to three times their official pay if they meet agreed targets, according to one government official.

He says the introduction of the scheme is part of China's transition to the market economy, but adds "we had to introduce the bonuses, because people would be taking the money anyway".

Chen at the Beijing Country Club hopes that Chinese people will become more open-minded and executives will be paid competitive salaries.

In the meantime, though, China will find it hard to reconcile one of the anomalies of the socialist market economy: paltry executive pay in a profit-driven society. Chen explains: "If I were paid much more, people would start rebelling. They would be very envious. This is what we call China's red-eye disease."



Spotting opportunities: Curtis (left) and Myers

PARTNERS

United Overseas

Jeffrey Curtis, 54, set up the United Overseas Group in 1976. A year later Robert Myers, 42, became a partner. Their company buys surplus branded products and repackages them for distribution throughout the world. Their annual turnover is \$78m. At the end of March the company will be listed on the London Stock Exchange.

Robert: "I remember being very nervous the first time I went to a meeting with Jeffrey. I suggested we practise, as I knew nothing about the business, but he was adamant that we must never rehearse anything. 'Just watch and go with the flow' was his advice, and from then on I simply followed his lead."

Jeffrey can anticipate what people are going to say and always comes up with what they want to hear. He has that rare gift of being able to read people's minds and can put himself in other people's shoes. Unlike me, he works under a pile of paper yet always knows where everything is.

He can tell you what he paid for stock, in what year, and from whom he bought it. The most important thing he's taught me is how to value stock. I can now pick up a product and the number which pops into my head is the one I stick with.

It doesn't matter how unusual the product is, we both have a feel for what it will earn in the market place.

I'll never forget Jeffrey buying a load of aerosol sprays for waterproofing the wings of racing pigeons. Apparently, a lot are lost in thunderstorms but the manufacturer had overestimated the demand. We immediately repackaged them and sold them as tent spray.

This business is all about

spotting opportunities and knowing what will sell."

Jeffrey: "When I set up the company I knew the future lay in branded goods. Buying existing brands that have been subject to package change is always better than buying a product that is made to price. Heinz Baked Beans at a price are better than beans by Fred Jones at any price."

Robert came from an accountancy background and taught me financial discipline. In turn I taught him everything about trading.

I don't think either of us ever doubted the company would be big. Our first year turnover was \$460,000. 20 years later it's \$78m with no sign of a ceiling.

In the early days we made mistakes because we were hungry and said 'yes' to things through lack of experience. We once bought a whole range of perfumes and cosmetics after seeing some beautifully packaged samples. Unfortunately, when they arrived they were all in bulk shipping cartons and we lost a lot of money. Nowadays we don't buy anything we haven't seen.

Robert and I can go to a warehouse to price stock and although we'll start at opposite ends and pass each other, we won't be more than 5 per cent out on our individual analysis.

At one time Robert wanted us to move into retail, which was a terrible idea because we would have been competing with our customers.

Accounts always want to enhance things whereas I was happy for us to stay on course.

He's now MD of the toy division and respected by everyone in the industry. I often think I saved him from having a very dull life."

Fiona Lafferty

Hysterical writers guilty of workplace abuse



Lucy Kellaway

The chances are that you are a victim of abuse. Not sexual abuse, but a brand new sort of corporate abuse. According to a recent book by a couple of American women, corporate abuse is rampant. Workers everywhere are being abused, our employers are overworking and bullying us, our ideas are being ignored, and we are suffering from low self-esteem, helplessness, fear, hurt and self-hatred. We are the victims of the lean and mean organisation.

Just thinking about it makes me cross. Not at the thought of all of us abused workers, but at the woolly thinking and hysteria behind the idea.

The book begins by stating that people enjoy work much less these days than they used to. What evidence do they have for this? Some recent trends have been good, others bad. Jobs are less secure, but people are less likely to feel powerless and stuck in a rut. It is all swings and roundabouts.

The language is also objectionable. It is bad enough having victim-speak applied to all aspects of our non-work lives, but having it in the office as well is too much.

It is true that some companies do give employees a very bad time. But that has always been the case. The difference now is that companies which consistently mistreat staff have a way of not surviving.

The judges gushed; the winner basked in self-congratulation. Once again Marks and Spencer was voted best company in the British Quality of Management Awards. What are we to make of this? That there is only one really good company in Britain?

Or are we to suspect that the captains of industry, journalists and investors who vote for Marks and Spencer year in year out do so not because it is the best company, but

because it has the reputation of being the best?

The most peculiar aspect of the awards was that Marks and Spencer was also named as the company with the best record in corporate governance.

In 1986, the year in which the judging was done, the M&S board was not exactly a model of the nimble, modern board, well-stocked with energetic non-executives. Indeed, against 18 executive directors there were just four non-executives, of whom the youngest was 63.

Even the company itself must have felt that its board structure was wanting, as it has subsequently

doubled the number of non-execs - though they are still far outnumbered by executives. And Sir Richard Greenbury, while his title is simply "chairman", might as well also be called chief executive, as the next position down is joint managing director, which is split four ways.

There are lots of things you could praise Marks and Spencer for - its results, its strong culture, its great underwear. Outstanding corporate governance is not the first that springs to mind.

We The People Worldwide is an excit-



ing new magazine that has just been circulated to all Merrill Lynch staff. The first issue contains a stimulating article, *Becoming a World Class Employee*, which gives 23 handy hints on how to achieve this. The first step to excellence is to "think of yourself as a consultant... earn your consulting fee every day".

If I were head of Merrill Lynch, I would beg staff not to think like consultants - focusing on the short term, not feeling part of the organisation, fancying yourself superior to everyone else...

ML views this magazine as serving its "employee, community" worldwide. No such community exists. If you are a US broker on Wall Street you may regard these handy hints as useful. But for Merrill Lynch employees in London, the personal philosophy of excellence is more likely to involve getting the job done, then going for a pint over which they can ridicule the new staff mag.

Most management books have a slick title followed by badly presented, unoriginal twaddle. That is the view of the judges who have just read stacks of these books for this year's Management Consultancies Association book prize.

It goes without saying that they are right: management is a flashy subject on which it is hard to write intelligently. Nor is there any particular incentive to be cogent, as managers will apparently buy almost anything, and then not read it.

The head of the MCA said that what we need are more books that change people and the way they do things. I'm not sure I agree with that. It is not change per se that is wanted. It is change for the better. One or two books a year which do that are plenty to be getting on with.

Does Europe matter?

Look at tomorrow's world, and what do you see? Is it an economically and strategically dominant America? An ascendant Asia? Perhaps a resurgent Russia?

And in your vision, where does Europe stand? Is Europe on the wane, culturally, economically and strategically?

The Philip Morris Institute for Public Policy Research, an independent think-tank based in Brussels, is concerned about these questions. That's why we launched a writing competition in 1995 called the Philip Morris Institute Europe Prize.

In its first year, 2,136 people from 67 different countries took up our invitation to write on the theme:

"What Europe for the New Millennium?" In November 1996, the first Philip Morris Institute Europe Prize was presented by Peter Sutherland.

This year, we are asking entrants to write on the theme "Does Europe Matter?" A jury of senior journalists will make three awards: the Philip Morris Institute Europe Prize, worth Ecu 15,000, and two runners-up awards of Ecu 6,000 and Ecu 4,000. An Ecu 5,000 award may also be made for the best submission from a young writer (age 18 to 28).

The closing date for submissions is May 16, 1997. Only original, unpublished material is eligible. For entry details, please contact the Philip Morris Institute at the address below.

THE JURY

MIGUEL ANGEL AGUILAR - Columnist, El País - ALBERTO CAVALLANI - Columnist, La Repubblica - ROBERT DONAHUE - Editorial Page Editor, International Herald Tribune - JONNY JONES - Foreign Editor, Süddeutsche Zeitung - BEN KNAPPEN - former Editor-in-Chief, NRC Handelsblad - PHILIPPE LEMAITRE - European Correspondent, Le Monde - GILES MERRITT - Director, The Philip Morris Institute - MITJA MERISOL - Editor-in-Chief, DELO Daily - CHRISTINE OCKRENT - Current Affairs Editor, France 2 and Vice-President, BFM Radio - JOHN PRETENDERS - Political Editor, TO VIMA - CHRISTOPHER REDMAN - Editor, Time International - MAIS SVEGGERS - Editor-in-Chief, Svenska Dagbladet - FRANÇOISE VAN DE MOORTKEL - former Editor-in-Chief, RTBF

THE PHILIP MORRIS INSTITUTE FOR PUBLIC POLICY RESEARCH ASBL
6, RUE DES PATRIOTES, B-1000 BRUSSELS, BELGIUM

TEL: (32-2) 732 88 50 FAX: (32-2) 732 94 49 E-MAIL: 106173.1627@compuserve.com

guilty of
house

"True creativity blooms
when we dare to reject "common
sense" and traditionally
accepted scientific knowledge."
KAZUO INAMORI, founder of Kyocera

KYOCERA

FINANCIAL TIMES COMPANIES & MARKETS

© THE FINANCIAL TIMES LIMITED 1997

Monday March 24 1997

Week 13

vita
WORLDWIDE
21st CENTURY
MATERIALS AND
TECHNOLOGY
T.O.D.A.Y.
BRITISH VITA PLC

IN BRIEF

CSFB moves into high-tech financing

Credit Suisse First Boston entered the lucrative world of high-technology financing by taking a 55 per cent stake in Volpe Brown Whelan, a specialised San Francisco investment bank. Through the deal CSFB, which is part of Switzerland's Credit Suisse, joins Union Bank of Switzerland and Germany's Deutsche Morgan Grenfell in the scramble to capture a share of one of the fastest-growing sectors in corporate finance and advisory services. Page 23

Philips seeks product growth stability
Philips, Europe's largest consumer electronics group, is to limit the extent to which it stakes its future on product breakthroughs - aiming for predictability in growth rather than seeking rewards in expensive innovations. The company came close to bankruptcy in 1991 but recovered to achieve record net profits of £1.252bn (£1.33bn) four years later, before sliding back into a £1.58bn loss last year. Page 22

Menem to authorise postal privatisation
The privatisation of Argentina's state-owned postal service, Encotasa, is expected to be authorised in the next few days by a decree from President Carlos Menem. In an attempt to assuage fears of the creation of a potential monopoly by private local mail providers, a last-minute "anti-monopoly" clause was included in the privatisation decree guaranteeing "competitive market conditions". Page 22

BHP reports 69.5% advance in earnings
Stronger oil prices and rising copper production helped Broken Hill Proprietary, the Australian resources group, to report third-quarter earnings to end-February up 69.5 per cent at A\$378m (US\$297m) after tax. However, the nine-month total, including abnormal items, was up only 6.3 per cent over the same period of 1995-1996, at A\$1.17bn. Excluding abnormal items, the nine-month profit was A\$1.06bn, a 2.6 per cent rise. Page 23

Scotiabank decision on bid expected
The climax to the £2bn (\$3.18bn) auction for Scottish Amicable is expected this week when one of three bidders - Prudential, Abbey National or Australian Mutual Provident - is named as winner. The news will be accompanied by details of special bonuses for the mutual life insurer's 1.1m policyholders, adding to this year's £260m demutualisation bonanza from financial services groups. Page 20

Storm forecast for P&O shareholders
Shareholders in P&O, the shipping and property group, face a trying week with the company's pre-tax profits forecast to fall by £20m (\$31m) and limited news of progress with its planned £1bn divestment. P&O is expected to report pre-tax profits at about £300m tomorrow. Page 20

Parmalat to acquire Beatrice Foods
Parmalat, the Italian dairy products group, has stepped up its aggressive international expansion strategy with the £290m (US\$210.2m) acquisition of Beatrice Foods of Canada. Under the deal, the Italian company will purchase a 75.1 per cent controlling stake worth £230m in the Canadian group. Citicorp, the New York bank which has been advising Parmalat, will acquire the remaining 24.9 per cent. Page 23

Rolling Stone finances health club
Ron Wood, who is used to singing for his supper as one of the Rolling Stones, is looking for further satisfaction through a worldwide chain of health and fitness clubs. The guitarist has guaranteed a bank facility of £1m (\$1.59m) to the Harrington Club, which aims to be the first in London to combine exclusive social and health facilities under one roof. Page 20

Companies in this issue		
20th Century Fox	4	Lukoil
AEK	23	Lyonnais des Eaux
AD Tashkent	1	Marocopper
Agon	23	Mazda
Aeropotitais	1	Mitsubishi
Alania	1	Nissan
Amazon	23	P&O
B&H	23	Pan Am
Bass	19	Parmalat
Beatrice Foods	23	Pemberstone
Boeing	6	Philip Morris
Bre-X Minerals	23	Philips
CSFB	23	PizzaExpress
Cable and Wireless	18	Placer Dome
Cardo Engineering	20	Red October
Charter Air Lines	22	Retevision
Charles Taylor	20	Ros Telecom
Canon Group	23	Samsung
Crédit Lyonnais	19	Scottish Amicable
DRM/Graw Hill	18	Scottish Equitable
Deutsche Bank	1	Specialty Shops
ENCOTASA	20	Suez
Ford	18	Telefonica
GM	18	Thyssen
Gerhard Whalley	20	Tyazack Precision
Gazprom	1	Virgin Cinemas
Honda	18	Volpe Brown Whelan
Inogen Saboteur	23	Walt Disney
Krupp Hoechst	1	WestMerchant Bank
	22	Wharf (Holdings)
Market Statistics		
Base lending rates	27	London recent issues
Company meetings	22	London share service
Dividend payments	22	Managed funds service
FTSE-100 World indices	33	Money markets
FT 500 to currencies	25	New bond issues
Foreign exchange	27	World Stock Market indices

Chairman says he will resign if European Commission forces sell-offs Crédit Lyonnais boss defiant

By Andrew Jack in Paris

The chairman of Crédit Lyonnais yesterday upped the stakes in the battle over the restructuring of the French state-owned bank with a suggestion that he would resign if the European Commission forced him to sell off many more of its activities.

In an interview with the FT, Mr Jean Peyrelevalde said: "You cannot have any further significant reduction in the perimeter of the bank without destroying it."

The French government is expected to submit a privatisation plan, which could cost up to FF300m (\$5.27bn), to European competition authorities in Brussels within weeks.

Commission officials have already indicated that they would demand considerable extra concessions in exchange for approval of the plan, including the sale of significant Crédit Lyonnais operating activities.

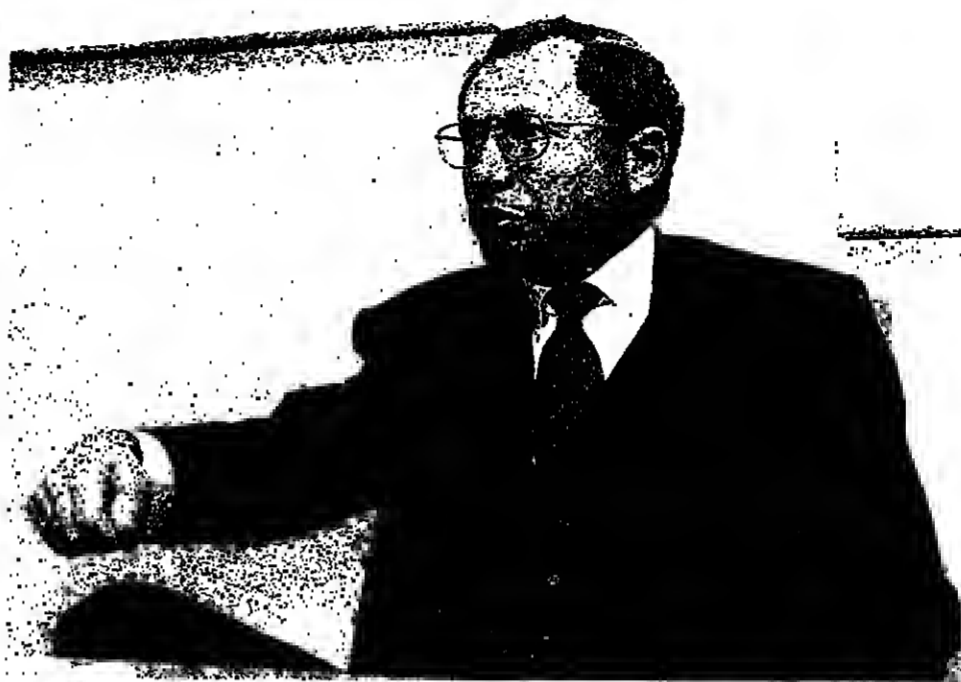
However, Mr Peyrelevalde specifically said it was "out of the question" to sell the bank's capital market operations in New York or Tokyo, or other important international businesses which, he argued, were essential to maintain operating profits of at least FF80bn-

FF90bn a year. While denying that he was attempting to blackmail the French or EU authorities, Mr Peyrelevalde said that he had been nominated in late 1993 to make Crédit Lyonnais viable and that he had "an ethic of responsibility" which could force him to resign if his objectives were rendered impossible.

He dismissed renewed attacks from competitor banks and French politicians over his calls for a recapitalisation, arguing that all the country's banks had received injections of funds ahead of privatisation. He added that he was unaware of any other large bank in the world that had been dismantled.

Mr Peyrelevalde said a recapitalisation was necessary, both to compensate for capital losses the bank will make when selling some activities it bought at high prices in the last few years, and to improve its Cooke solvency ratio and credit rating.

However, in a change from his comments in recent months, he said that Crédit Lyonnais' existing Cooke ratio of 4.5 could be increased to just 5.20 or 5.30 - a little below that of its rival Banque Nationale de Paris - rather than



Jean Peyrelevalde, who yesterday upped the stakes over restructuring Crédit Lyonnais

the 6 per cent figure he has previously cited. He stressed that he was already meeting the objectives of a previous state-brokered restructuring plan approved by the EU in 1995.

That required the bank to

reduce its commercial presence outside France by 35 per cent. The latest move under this plan was the sale of its specialist consumer credit arm Woodchester, announced earlier this month.

"In the year 2000, Crédit

Lyonnais will be smaller in assets, staff and agencies than in 1993, before its period of folly," Mr Peyrelevalde said. "I am putting the counter back to zero. We will have lost 12 years of growth. Our competitors should rejoice."

C&W set for last stage of telecoms merger

By Alan Cane in London

Cable and Wireless, the UK-based telecommunications group, will today publish the offer document for the formation and flotation of Cable and Wireless Communications, one of the most complex mergers ever seen in the UK.

The planned telecoms and cable subsidiary, valued at about £5bn (\$7.95bn), is expected to revitalise the UK's stagnant cable television business and inject competition into the telecoms market.

The deal, through which C&W will be forged from C&W subsidiary's, Mercury Communications, together with the UK-quoted cable companies, Nynex CableComms, Bell CableMedia and Videotron, was announced in October last year.

The offer document will set out the terms under which investors in Nynex CableComms and Bell CableMedia will be able to switch holdings into C&W shares. It will also provide pro forma financial information including cash flows and a balance sheet for the new company on which it will be floated in London and New York in the next few weeks.

The document will be welcomed as an indication that Mr Brown, C&W chief executive, has managed to keep one of the most complex mergers ever seen in the UK on track.

The programme has included the appointment of a chief executive, Mr Graham Wallace, formerly of Granada, and non-executive directors including Sir Bryan Carlsberg, the UK's first telecoms watchdog. Mr Wallace is seeking a chief operating officer from outside to allow him more time to concentrate on integrating the group and maximising revenues.

C&W will be the UK's largest cable company and, analysts believe, one of the few telephone companies in a position to mount a significant challenge to British Telecom's dominance.

Some 15 per cent of the company is to be floated in London and New York in late April or early May. Analysts suggest a value £4b-£5bn.

When the deal was announced in October, C&W had management control with a 52.6 per cent holding in C&W while Nynex of the US held 18.5 per cent and Bell Canada, 14.2 per cent.

It is believed, however, that Mr Brown is keen to extend C&W's holding in C&W and would be willing to bid for some or all of the 15 per cent set aside for public shareholders. He is known to view C&W as C&W's core activity and to be anxious to see its influence extended abroad.

UK poll set to delay Bass deal with Carlsberg-Tetley

By David Blackwell in London

The drive by Bass to re-establish its position as the UK's biggest brewer looks set to be derailed by the country's general-election campaign.

A government ruling on its proposed £200m (\$318m) acquisition of rival Carlsberg-Tetley is expected to be delayed until a new government is formed after May 1.

Although the Monopolies and Mergers Commission will deliver its findings to trade secretary Mr Ian Lang today, observers say he is unlikely to make a ruling in a controversial area of competition policy that could readily be overturned by a successor.

The delay is a blow for Bass. It said yesterday that Carlsberg-Tetley "will only suffer further from any more delays". The best outcome for

Carlsberg-Tetley, a joint venture between Danish brewer Carlsberg and Allied Domecq, would be for the merger to be given the go-ahead, an official said.

An executive at Carlsberg added: "We would obviously like to see the proposed merger cleared by the secretary of state as quickly as possible."

In normal circumstances the announcement of the secretary of state's decision follows four to six weeks after delivery of the MMC's report.

The case is likely to be the first MMC referral to be dealt with under new Labour administration, if the opposition party wins the election. According to one analyst this makes the odds of the deal being blocked 50:50.

"The delay is harmful for Carlsberg-Tetley," said the

analyst. "Morale has been severely dented. But I don't see any decision being made until June or July."

Mr John Carnegie, drinks analyst at BZW, said a Labour government would want to be seen to be taking a firm line on Conservative policies it had been criticising.

The chances of the deal going through were a lot worse than under the present government or under a more established Labour administration.

Nevertheless, the final outcome would depend on the MMC recommendations as Labour would not want to be seen quarrelling with informed opinion.

"On balance, I think it will still go through," Mr Carnegie added.

If the deal were given the go-ahead, the downward trend in beer wholesale prices would

come to an end. Bass would regain its number one UK brewer status with 38 per cent of the market.

It was usurped in 1995 by Scottish & Newcastle, which landed 30 per cent of the market after taking over Courage.

However, there are likely to be conditions. The outgoing government forced Scottish & Newcastle to trim its estate to 1,900 managed and 700 tenanted pubs.

Rough calculations suggest Bass might be required to shed 2,000 pubs.

If Bass finds the conditions too onerous, it can walk away from the deal and sell Carlsberg-Tetley back to its co-owners, Carlsberg and Allied Domecq, the spirits and retailing group, recouping £140m.

Lex, Page 18

Disney negotiates refinancing deal on \$596m loan

By Edward Luce in London

Walt Disney, the US entertainment company, has negotiated a ground-breaking deal to refinance a ¥73.4bn (\$596.74m) loan which is backed by future royalties from Tokyo Disneyland - the most visited theme park in the world.

The arrangement, which bankers have called Dwarfs Debt Widely Auctioned Royalty Financing Structure - is designed to reduce the interest costs on the loan Walt Disney originally took out in 1988.

It is intended to eliminate the risk associated with fluctuations in the yen-dollar exchange rate during the remaining 11 years of the loan's life.

"By monetising [securitising] its future royalties, Walt Disney has taken the perfect hedge on future fluctuations in the yen-dollar exchange rate," said Mr Tom Skwarek, head of global finance at HSBC Markets, lead manager of the refinancing deal.

Tokyo Disneyland is owned by Oriental Land, a Japanese property group listed on the Tokyo stock exchange. Walt Disney's loan is backed by royalties in gate receipts and concession fees which it receives from Oriental Land.

The refinancing is the latest in a series of "securitised" deals to have hit the market. Securitisation enables the borrower to raise money backed by future earnings from its business. In 1992 Disney became one of the first "intellectual property" companies to securitise its future earnings with a \$400m debt issue



backed by copyright royalties from planned feature films. With royalties earned from the theme park, Walt Disney will service the ¥73.4bn loan at an annual rate of 3 per cent. This is about half the rate it was paying on the securitised 20-year loan arranged by Citibank in 1988.

The 6 per cent interest cost which Walt Disney negotiated in 1988 reflected the cost of debt in Japan at the time. But the recession in Japan has pushed short-term interest rates to below one per cent.

Officials in the syndicate, which comprises HSBC, Citibank, the Long Term Credit Bank of Japan and Dai-ichi Kangyo Bank, say the refinancing has several unusual features. Unlike most securitised loans, payments will be at a floating rather than at a fixed rate of interest.

The royalties will be paid into a separate company which is incorporated in the Cayman Islands - an offshore financial centre in the Caribbean.

HSBC Markets will conduct an auction at three-year intervals when the coupon paid to lenders escalates from 30 basis points over Japanese Libor to 60 basis points and 90 basis points respectively.

Private UK clothes retailers outperform Euro rivals

By Roger Taylor

Many privately-owned clothes retailers in the UK are achieving financial returns that shame their quoted competitors and their peers in Continental Europe, a new survey has revealed.

Groups such as River Island and New Look in the UK have been making about 60 per cent return on capital each year and achieving double digit increases in sales. In contrast the best return from a quoted company came from Benetton of Italy which managed a 45 per cent return on capital.

The worst performers were less focused groups such as Hertie, Dyckhoff and Boecker in Germany which saw sales fall and produced zero or negative return on capital.

The survey, by Kurt Salmon Associates, the management consultant which specialises in consumer industries, compares published financial data for European clothes retailers over three years between 1993 and 1995.

Top of the table comes Oasis, the UK women's fashion retailer which, although now quoted, was privately owned for most of the period under study. It achieved a return on capital of 72 per cent and annual sales growth of 44 per cent.

Oasis was floated in June 1995 at 148p, since when the shares have risen to 390p.

In second place was River Island, the menswear chain owned by Lewis Shops and created out of the old Chelsea Girl and Concept Man chains. It managed 18 per cent annual sales growth and 59 per cent return on capital. River Island is expected to come to the market soon.

The aim of the survey was to see how different management attributes related to financial returns.

Mr Alan Braithwaite, vice-president of KSA, said: "The most successful companies are those that have tight financial controls and which remain focused with relatively few brands and a clear target market."

The form of ownership was not found to be a significant influence on success but the strength of many privately owned chains may come as a surprise to industry observers.

This advertisement appears as a matter of record only

March 1997

SIG

ARCHITECTURAL PRODUCTS

£82,000,000
Management Buy-Out
from
SIG Plc

Led, structured and arranged by
NatWest Ventures

Equity provided by
NatWest Ventures

Senior debt provided by
NatWest Markets Midland Bank

Mezzanine provided by
ABN AMRO Causeway Mezzanine Partnership
Mithras Investment Trust plc
Group Trust plc

NWV

NATWEST VENTURES

NatWest Ventures Limited, regulated by IML, is a part of NatWest Markets, corporate and investment banking.

COMPANIES AND FINANCE

Pay-outs to policyholders likely to exceed original £365 indicated by Prudential in its offer

ScotAm decision could be tomorrow

By Christopher Brown-Humes

The climax to the £2bn auction for Scottish Amicable is expected this week when one of three bidders - Prudential, Abbey National or Australian Mutual Provident - is named as winner.

The news will be accompanied by details of special bonuses for the UK mutual life insurer's 1.1m policy-

holders, adding to this year's £25bn demutualisation bonanza from financial services groups.

It is understood the result will be announced tomorrow or Wednesday. "We don't know whether a decision has been made yet," the Prudential said yesterday.

How policyholder bonuses are paid will depend on the structure of the winning candidate's bid. But pay-outs

will probably exceed the levels indicated by Prudential and Abbey National when they made their original offers last month.

At that time, Prudential offered policyholders an average of about £365 in cash or shares, with a similar amount added to policies as part of its £1.9bn offer for the mutual.

Since then, all three bidders have found ways to rep-

licate the structure of the Prudential's bid, allowing surplus capital backing the current with-profits fund to be made available to policyholders. Analysts say the winner could top £2.2bn.

SBC Warburg, adviser to Scottish Amicable, has stressed that the highest headline figure may not offer the best overall terms to policyholders.

But this could add to the

group's headaches, given the possibility that one of the losers may challenge the outcome.

Scottish Amicable plans to send out a policyholders circular in May, ahead of a vote in June, and likely finalisation of the transaction in the autumn.

The circular will contain details of all the offers, and the reasons for accepting the winner. The mutual has accepted that its own plans

to demutualise ahead of a flotation in three to five years time are dead.

The conclusion of the auction will throw a spotlight on other medium-sized life mutuals that analysts believe could make attractive targets for the unsuccessful bidders. AMP has said if it fails to win Scottish Amicable, it will look to buy another as a platform for expansion in Europe.

Rough waters forecast for P&O investors

By Michael Lindemann

Shareholders in P&O, the UK shipping and property group, face a trying week with the company's pre-tax profits forecast to fall by £20m and limited news of progress with its planned £1bn divestment programme.

P&O is expected to report pre-tax profits at about £200m tomorrow, down from £220m.

The company last week denied reports it had postponed the flotation of Bovis Homes, its UK house building operation with net assets of about £260m, and said the sale was due to take place this year. It had previously suggested it might happen in the first quarter of 1997.

Last March, P&O announced it would sell businesses and property worth about £1bn over three years. In 1996 it sold businesses worth £147m and made property disposals worth £200m.

P&O will be hoping improving conditions in its cruise business and last year's merger of its container operations with Ned-

lloyd, the Dutch transport group, will reduce pressure to make disposals.

But analysts suggested the profits may come under additional pressure following

news last week that Nedlloyd's profits had been "whipped" by low margins in the container market.

About 11 per cent of P&O's 1996 operating profits came from its container business.

Hopes that Lord Sterling of Plaistow, chairman, might offer good news on the proposed channel ferry merger with Stena, the rival operator - in time for the summer peak season - have also

been dashed now the Monopolies and Mergers Commission's report has been delayed. It was to be completed on March 6 but will now be passed to Mr Ian Lang, the trade and industry secretary, on April 4. If the MMC report recommends an unconditional merger, this could go ahead immediately.

However, analysts suggest conditions will be attached that are likely to delay the merger and mean the ferry companies operate below capacity during the peak summer season.

Continued competition from Eurotunnel, the channel tunnel operator, is likely to aggravate the ferry operators' predicament.

Analysts said the MMC report is likely to recommend continued competition in freight but the operators might merge passenger operations.



The times they are a'changing: Ron Wood is the membership secretary of a health club

It's only rock and roll - but it finances a health club

By David Blackwell

Ron Wood, who is used to singing for his supper as one of the Rolling Stones, is looking for further satisfaction through a worldwide chain of health and fitness clubs.

The guitarist has guaranteed a bank facility of £1m to the Harrington Club, which aims to be the first in London to combine exclusive social and top-notch health facilities under one roof.

The club committee includes such celebrities as tennis star Andre Agassi, jockey Frankie Dettori, and film star Keifer Sutherland. Mr Wood is the membership secretary.

The Harrington Club, which is advised by Pannell Kerr Forster, is seeking to raise £2m through the offering of 2m shares. The offer closes on April 4, when the group plans to start spending a total of £3m converting the old Pineapple dance stu-

dios in South Kensington.

Mr Connor O'Brien, finance director, said that if the offer was successful, the club would open near the end of this year. The company would seek a listing on Oxfex, with the ambition of moving to Aim.

With a planned initial 2,650 members, the club was budgeting for revenues of just over £4m and profits of £552,000 in 1996, he said. It would look to open clubs in cities such as New York and Los Angeles.

GWB hits Atlanta as first base

By Clay Harris

Gartland Whalley and Barker, the Halifax-based industrial corporate developer, has chosen the south-eastern US as the most fertile ground for its first international expansion and appointed an expatriate Yorkshireman to lead it.

GWB, an Aim-traded company controlled by Mr Tony Gartland and several former colleagues at FKI, will announce today the selection of Atlanta as headquarters for its US operation and name Mr Bryan Clarke, aged 48, as chief executive.

Mr Clarke, president of Durokopp Adler America, a German-owned maker of industrial sewing equipment, has worked in the US since 1986. In the UK, GWB has bought small private manufacturing companies, expanded them by acquisition and then floated them on the stock market before eventually selling out.

GWB had previously announced its intention to repeat this formula in the US by creating up to four regionally based "mirror image" companies.

Mr Clarke said Atlanta had beaten out Chicago as the site for the first operation. He said: "The competition for this sort of investment is intense, but it is less so in the south-east. It's a good place for us to cut our teeth."

NEWS DIGEST

PizzaExpress damps bid talk

PizzaExpress has moved to damp speculation of a bid, following a big rise on Friday in the restaurant group's shares.

They have risen more than 40 per cent this month: on Friday they rose more than 30p before settling 57p higher at 767p.

Mr David Page, chief executive, said: "We have the highest pie in the sector. If you were on the board of another company you would probably be asked to resign if you suggested a bid at these levels."

"In four-and-a-half years [since the 1993 flotation] nobody has ever approached us with an offer."

The company said recent gains in the shares reflect the level of growth. PizzaExpress plans an additional 30 restaurants over the next 13 months as well as increasing the return from its existing outlets.

On Friday the shares stood on a prospective pie of 44, based on forecasts by UBS, the house broker.

Peter John

Virgin Cinemas at £13.5m

Virgin Cinemas yesterday said its 36 multiplex sites, retained after the sale of 80 traditional cinemas to the ABC chain in May, made operating profits of £13.5m in 1996, up from £7m.

The result, its first full year under the ownership of the Virgin group, came with the news that capital investment will increase from £11.7m last year to £34.5m this year: the company plans 20 new cinemas within three years.

Chas Taylor losses deepen

Charles Taylor, the insurance services company which floated in October, announced increased full year losses of £5.34m for 1996 against £2.05m the previous year.

The company was hit by exceptional charges of £7.31m (£2.65m) for restructuring; there was also a £1.82m (£2.08m) charge for exceptional remuneration. Stripping these out, the company reported underlying pre-tax profits of £2.8m (£2.6m) which matched directors' expectations. Turnover was 6 per cent ahead at £20m.

Tyzack looks to future

Tyzack Precision, until December known as Eurovela, has "witnessed a fundamental improvement in structure and prospects" over the past six months, according to Sir James McKinnon, its chairman. Both changes stem from the sale of its surface treatment division to US Filter for £12m.

Sir James said the sale of the division for an attractive price left the group with cash resources of £11m with which to pursue its acquisition programme.

There was a pre-tax loss of £512,000 in the half-year; in January 97, compared with a £211,000 profit. Sales increased to £18.7m (£17.5m).

Carclo in £25.6m acquisition

Carclo Engineering Group, the specialist wire and technical plastics concern has acquired for £25.6m cash the technical mouldings division of BHS Group.

Carclo directors said they intended to add value and generate further growth in the division through a focus on margin improvement and selective capital expenditure. Net assets of the division were £12.3m at December 3 1996.

Speciality Shops slips

Speciality Shops, the property company which concentrates on shopping centres, reported a fall in 1996 pre-tax profits from £907,000 to £786,000 as rental income was affected by property disposals in 1995.

Pemberstone jumps to £2m

Pemberstone, the enlarged property group, lifted pre-tax profits to £2.07m in 1996, against £373,000 for the previous 18 months. Turnover reached £8.4m (£1.36m), while cash generated from operating activities grew from £171,000 to £4.75m.

Pemberstone also announced that its offer for Roma Recoveries was unconditional, with the company and its concert parties now in control of 86.4 per cent of the shares.

THE NATIONAL COMMERCIAL BANK

A GENERAL PARTNERSHIP - C.R. 1588

FINANCIAL HIGHLIGHTS

As of 31 DECEMBER 1996

(In thousands of Saudi Riyals)

BALANCE SHEET

ASSETS

	1996	1995
Cash, balances with SAMA and due from banks	15,299,042	16,019,945
Trading securities, and investment securities, net	20,159,085	15,835,060
Loans and advances, net	38,883,905	39,366,248
Fixed assets, net	1,713,133	1,642,551
Other assets and other real estate	3,997,423	3,795,907
TOTAL ASSETS	80,052,588	76,659,711

LIABILITIES AND PARTNERS' EQUITY

LIABILITIES

	1996	1995
Total deposits:		
(Customer's call, time, saving deposits and other deposits)	58,004,080	55,920,415
Due to banks	11,430,821	10,792,345
Other liabilities	2,962,847	2,674,615
TOTAL LIABILITIES	72,397,748	69,387,375

PARTNERS' EQUITY

	1996	1995
Capital	6,000,000	6,000,000
Statutory reserve	1,900,871	1,272,120
Retained earnings	155,969	216
Total Partners' Equity	7,656,840	7,272,336
Total Liabilities and Partners' Equity	80,052,588	76,659,711

CONTRA ACCOUNTS

	1996	1995
	124,192,701	99,470,392

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 1996

	1996	1995
Total operating income	5,320,304	5,077,589
Less: Cost of funds	2,432,835	2,673,226
Income before operating expenses	2,887,469	2,404,363
Total operating expenses	1,918,388	1,696,994
Net income from operations	969,081	707,369

OTHER INCOME (EXPENSES)

	1996	1995
(Losses)/Gains on investment securities	(21,776)	107,209
Gains/(losses) on disposal of fixed assets	1,066	(2,705)
Income from trading securities	9,087	
Other income/(expenses)	30,915	(41,236)
Donations and charitable contributions	(49,079)	(57,945)
Zakat	(24,287)	(12,504)
TOTAL INCOME (EXPENSES)	(54,074)	(7,081)
NET INCOME	915,007	700,288

For a copy of our Annual Report 1996: Contact: Mr. Farouk El-H, Manager, Corporate Public Relations, The National Commercial Bank, P.O. Box 3555, Jeddah 21461, Saudi Arabia, Tel 966 (2) 644-6444 Fax 966 (2) 644-6446

البنك التجاري الوطني
THE NATIONAL COMMERCIAL BANK



Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about destroying other trees that stand in their way.

So a WWF project in Costa Rica is researching ways of felling a tree without bringing down several others around it. And how to remove it without bulldozing a path through the surrounding trees.

If the rainforests are used wisely, they can be used forever. Help WWF prove this in rainforests around the world, by writing to the Membership Office at the address below.

WWF
World Wide Fund For Nature
(formerly World Wildlife Fund)
International Secretariat, 1106 Great Street, London



Bryan Clarke: to head group's first US operation

WEST RAND CONSOLIDATED MINES LIMITED ("WRCM")
(Incorporated in the Republic of South Africa) (Registration number 01/01978/06)

Notice of a general meeting of WRCM shareholders

Notice is hereby given that a general meeting of shareholders of WRCM will be held in the Boardroom, 5th Floor, First National Bank House, corner Friedman Drive and West Street, Sandown, Johannesburg at 09.00 (South African time) on Monday, 14 April 1997, for the purpose of considering and, if deemed fit, passing with or without modification, the following ordinary resolution:

ORDINARY RESOLUTION

"Resolved that, subject to the approval by a 90% majority of the votes cast by West Rand Consolidated Mines Limited ("WRCM") shareholders as are present or represented by proxy at the general meeting of WRCM convened to consider this ordinary resolution, the resolution passed by the board of directors of WRCM whereby WRCM will not take up its pro rata entitlement of 19 947 071 shares in Kalahari Goldridge Mining Company Limited (Registration number 82/02818/06) ("KalGold"), a major subsidiary of WRCM, as a consequence of KalGold having issued a total of 27 585 780 new ordinary shares through a capital raising exercise, be and it is hereby approved."

An ordinary shareholder entitled to attend, speak and vote or abstain at the general meeting is entitled to appoint one or more proxies to attend, speak and vote or abstain in his stead. A proxy need not be a member of WRCM.

Forms of proxy set out the relevant instructions for its completion for the use of ordinary shareholders who may wish to be represented at the general meeting. The completion of a proxy will not preclude an ordinary shareholder from attending and voting or abstaining at the general meeting in preference to such proxy. Forms of proxy are available from the office of the United Kingdom Secretaries, Viaduct Corporate Services Limited, 19 Charterhouse Street, London EC1N 6QP.

Duly completed forms of proxy must be received by the relevant transfer secretaries of WRCM by not later than 09.00 (South African time) on Thursday, 10 April 1997.

A holder of a share warrant to bearer who desires to attend or be represented at the general meeting must comply with the "Conditions governing share warrants" currently in force. Thereupon a proxy or an attendance form under which such share warrant holder may be represented at the general meeting will be issued.

20 March 1997

Notes

i) Copies of WRCM and KalGold circulars have been posted to registered shareholders today and are available for holders of WRCM share warrants to bearer from the office of the United Kingdom Secretaries.

ii) Copies of the audited results of WRCM for the year ended 31 December 1996 are due to be issued on 26 March 1997 and will be available from the office of United Kingdom Secretaries for holders of WRCM share warrants to bearer after that date.

OFFICES IN OVER 30 COUNTRIES • 10,000 PEOPLE

UNITING CORPORATE AND INVESTMENT BANKING WORLDWIDE • US\$ 11 BILLION

eliminate postseries

www.credit-suisse.com/fb

Issued by Credit Suisse First Boston (Europe) Limited; regulated by SFA.

COMPANIES AND FINANCE

Buenos Aires set to authorise Encotessa sale

By Andrea Campbell
in Buenos Aires

The privatisation of Argentina's state-owned postal service, Encotessa, is expected to be authorised in the next few days by a decree by Mr Carlos Menem, the country's president.

The decree envisages that the postal network is handed over to the highest bidder in September, said the president of Encotessa, Mr Antonio Puricelli.

To assuage fears of the creation of a monopoly by private local

mail providers, a last-minute "anti-monopoly" clause had been included in the privatisation decree guaranteeing "competitive market conditions". Mr Puricelli said. However, the clause did not exclude local companies from bidding for the concession.

According to the terms of the decree, the winning bidder will invest \$25m a year in the company for the first 10 years of a 30-year concession. Bidding is expected to open at the end of March.

From then on, approximately 1

per cent of Encotessa sales will be reinvested in the company annually. To date, the national postal services of Canada, France, Italy and Sweden have expressed interest in Encotessa, which registered sales of \$467m in 1996 and an estimated operating deficit of \$23m, down from \$68m in 1995.

To qualify for the concession, interested companies must handle a postal volume 50 per cent greater than Encotessa's and be 50 per cent more efficient. Encotessa's productivity rate, which jumped 38 per cent last year from 1995,

now stands at 23,000 pieces of mail delivered for every one of its 20,000 employees.

In order not to limit the number of bidders, Mr Puricelli said, the government has dropped a condition requiring bidders to be headed by a member of the Universal Postal Union. Instead, an UPU member can act as a technical consultant and guarantor to the winning consortium.

Postal rates, originally scheduled to be cut by nearly half for cards and letters, will not be allowed to exceed current levels

once the privatised Encotessa begins competing with some 300 private postal companies operating in Argentina since the market was deregulated in 1993.

The rates may come under a regular three-year review, however, in an effort to see whether tariffs could be lowered.

The government is pushing for Encotessa's privatisation before October Congressional elections in order to disarm political opponents who have "prejudiced" the privatisation, Mr Puricelli said. The mail company's privatisation

will, according to those who oppose it, favour the postal entrepreneur and sometime friend of President Menem, Mr Alfredo Yabrán, the man claimed by former economy minister Mr Domingo Cavallo to be at the centre of attempts to take over the country's postal system.

"The government is absolutely certain of the transparency of the procedure and we want to privatise before the elections, so nobody can come back at us and say that we were trying to hide something," said Puricelli.

Wharf earnings below forecasts

By Louise Lucas
in Hong Kong

Wharf (Holdings), the Hong Kong property and infrastructure conglomerate, disappointed the market with a 25 per cent drop in net earnings to HK\$2.74bn (US\$354m) last year from HK\$3.6bn. Stripping out 1995 exceptional items of HK\$1.51bn, profits rose 25.4 per cent to HK\$2.63bn.

Core earnings were below forecasts, and a number of analysts revised downwards their expectations for this year. The biggest downward revision came from lower than expected property sales, which totalled an estimated HK\$300m last year, and sharply higher losses at the cable TV arm. Wharf Cable lost about HK\$80m before interest expenses.

Wharf also suffered a blow in its port interests. Modern Terminals Limited (MTL), which was consolidated into the group last May after Wharf lifted its stake to 50.5 per cent, lost a big customer, Hyundai, after the Korean shipping group joined an alliance served by a different Hong Kong port.

Ryndel, an account for 13 per cent of MTL's throughput, had been lost. The group's total throughput, however, rose modestly, from 3.1m tons (off equivalent units) at the end of 1996 to just over 3m tons at the end of last year.

Mr Cowan, chairman and chief executive of Wharf, said the numbers demonstrated Wharf's success in strengthening its earnings base.

"Double-digit growth of that magnitude in the challenging environment experienced in 1996 is more than satisfactory," he said.

Earnings per share fell 26 per cent to HK\$1.33 last year, stripping out exceptional items, earnings rose 23 per cent to HK\$1.18. A final dividend of HK\$0.64 is proposed, 3.7 per cent up on 1995's HK\$0.61.

Philips to limit reliance on new products

By Gordon Cramb
in Amsterdam

Philips, Europe's largest consumer electronics group, is to limit the extent to which it stakes its future on product breakthroughs - aiming for predictability in growth rather than seeking rewards in expensive and risky innovations.

Mr Cor Boonstra told his first annual meeting of shareholders since he took over as president of the Dutch company last October: "Whenever I see Philips referred to as a gambling stock, I am filled with dismay." The shares were volatile, he acknowledged, and had underperformed over the past decade.

The company - in earlier years inventor both of the compact disc and the failed V2000 video system - came close to bankruptcy in 1991 but recovered to achieve record net profits of Ft12.52bn (\$1.33bn) four years later before sliding back into a Ft190m loss last year.

"We overestimated our growth potential, geared up our organisation accordingly, and in this way incurred excessive costs and failed to apply the brakes in time," Mr Boonstra said.

"Again and again we have proved vulnerable to market fluctuations, to the trade

cycle, to success or lack of success with a particular product.

"We then put all our faith in a new invention, a new product, as if it is some magic wand that will solve all our problems with the market, the competition and price erosion. And if it fails to live up to its promise, we suffer a setback.

"We are now seeking to break out of this cycle of all-or-nothing offensives and the contrived optimism that accompanies them."

Philips, which has been closing or selling a swathe of underperforming units, would "act" for the time being, he emphasised, on any risky new ventures, concentrating instead on improving management and seeking growth in its remaining businesses.

"This may not sound very spectacular, but that is the very point I'm making: we want more certainty, we want to become more predictable," said Mr Boonstra, 59, who joined the group in 1994 from Sara Lee, the foods manufacturer.

Shareholders at the Amsterdam meeting grilled him for more than an hour on prospects - he reiterated that double-digit growth should be possible in future - and of his lack of overall strategy. This would come



Cor Boonstra: wants Philips to become more predictable

by early next year, Mr Boonstra assured them.

Tributes came from the floor but not from the podium for Mr Jan Timmer, his predecessor, to whom the new chief referred only obliquely.

Last month Mr Timmer

made an abrupt and unexplained departure from the company's supervisory board, to which he had been elevated on retiring from management. Under Mr Boonstra's cuts a number of projects from the Timmer era have been abandoned.

Placer Dome gives up stake in Marcopper

By Justin Marozzi in Manila

Placer Dome, the Canadian mining company, has handed back its 38.4 per cent stake in Marcopper, the Philippine mining group involved in a serious spillage last year.

The withdrawal closes a difficult chapter for the Canadian group in its involvement with Marcopper. Last March, the Philippine company split 2m tonnes of waste from its copper mine in Marinduque island into the Boac river, triggering more than 2,000 claims totalling 19m pesos (\$720,000) for lost income and damaged crops.

Placer Dome wrote off its

investment in Marcopper last year, taking a \$45m charge against earnings. The transfer of shares will not result in any profit for the Canadian group.

Mr John Willson, chairman and chief executive of Placer Dome, said the group had been discussing withdrawal from the copper mine more than two years ago, following its decision to concentrate on gold mining. The company remains involved in the Philippine gold mining industry.

The Canadian group said its decision to hand back its stake would not affect its commitment to cleaning the river. It would continue to fund a government environ-

mental fund dealing with the claims. Less than 80 per cent of the waste remained in the river or on its banks, it said.

The international trade association of the Philippine mining industry is negotiating with the department of environment for a new fiscal regime to revive the stagnant sector and pave the way for new exploratory licenses for international groups.

Earlier this month, foreign mining groups warned that the government proposal for an additional 15 per cent levy on profits might make the country uncompetitive.

The granting of exploratory licenses has been put on hold since the Marcopper accident.

Pan Am World Airways to merge with Florida airline

By Richard Tomkins
in New York

Pan American World Airways, the reincarnation of the US airline that went bankrupt in 1991, is embarking on a big expansion by merging with the Florida-based Carnival Air Lines, a privately held airline that carries mainly leisure travellers. The deal reverses a plan the two drew up last July, but which subsequently fell apart.

Pan American began operating as a new entity independent of the old Pan Am last September. It has been flying four Airbus A-300 aircraft, offering cut-price travel on a network of routes spanning New York, Los Angeles, Miami, Chicago and San Juan in Puerto Rico. In contrast, Carnival Air Lines has a fleet of 27 aircraft, including nine A-300s, flying between south Florida, the north-east, California and the Caribbean.

Carnival Air Lines is owned by Florida billionaire Mr Mickey Arison, who said it had lost money after the crash of a ValuJet Airlines aircraft last year. The crash put passengers off airlines with little-known names. Mr Arison is swapping his Carnival Air Lines holding for a 42 per cent stake in Pan Am, and will make a \$30m capital investment in the company. Separately, Pan Am plans to raise \$30m with an issue of convertible preferred stock.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY	Do Jun 1998 Y17578.0
Adelaide Bank FRN 1998	Do 6.5% Bd 2000
Air Canada FRN 1998	Y560000.0
All Nippon Airways 8.35% Nts	Greenalls 11% Bd 2014
2003 4.4375%	25.75
Asian Dev Bank 10.4% Ln	Do 7% Cv Bd 2003 3.5p
2008 2255.25	Guaranteed Overseas Loan Fin
Birmingham Midshires Bldg	(No 1) Sec FRN 2007
Scty FRN 2005 23266.78	22784.53
Boots 10.4% Bd 2017	Int Bank for Rec & Dev 9.4%
22531.25	Ln 2010 24.75
British Land 8.75% 1st Mtg Bd	Laurel Int Invs Gtd FRN 1997
2003 4.4375%	\$308.65
Commercial Loans on Inv	Midland Bank 8.75% Bd 2023
Prop (No 1) Class A Comm	4443.75
Mtg Bldg FRN 2009 2123.75	Cable & Wireless Int Fin 8.4%
Do Class M1 2188.31	Gtd Bd 2019 2282.50
Do Class M2 2193.30	Charwood Alliance 7.4% Ln
Do Class B 2266.65	Ln 1.875p
Elephantine Sd FRN 2002	Deiwa Und Gtd Sd FRN
\$28.79	Y143802.0
Fort Credit Europe FRN 2001	East Midlands Elec 12% Bd
218.48	2016 21200.0
Furukawa Elec FRN Mar 1998	Flaming Worldwide Inv Int
Y17578.0	1p
	Do Units 1p
	Fuji Bank Int Fin Pcp Sd FRN
	Y143808.0, Do Und Sd Gtd
	Var Rate Nts Y20854.0
	HIH Cap 7.4% Cv Cap Bd
	2006 2187.50
	Hydra 10.4% Bd 2002
	2257.50
	Japan Airport Terminal 6.4%
	Bd 1999 Y640000.0
	Kvaerner 8% Ln 1994/99
	24.0
	Do 9.4% Ln 2000/05
	24.75
	MITEC Fin (Aruba) Gtd Sd
	FRN 2002 23230.35
	Manchester 3% Bd 20.75
	Marathon Thompson &
	Everest 10.4% Bd 2012
	25.125
	Metropolitan Water Board
	Chelsea Water 2.4% Bd 1897
	21.375
	New Zealand 11.4% 2014

NPK Vintage Limited
Covered Warrants
to purchase shares of common stock of
Katakura Childcare Company Limited
issued with
U.S. \$47,750,000
44% per cent. Secured Notes due 1999
Adjustment to the Purchase Price
NOTICE IS HEREBY GIVEN that Katakura Childcare Company Limited (the "Company") has resolved that the members of the Board of Directors held on 27th February 1997 to split shares of common stock of the Company (the "Shares") owned by the shareholders appearing on the register of shareholders of the Company as at the close of such register on 27th February 1997 (Japan time) at the rate of 100 Shares to one Share held by them, provided, however, that the fraction of a Share occurring upon such split shall be sold on a whole and the proceeds of the sale shall be distributed to the shareholders entitled thereto in proportion to their fractional interests.
As a result of such stock split, the Purchase Price for the captioned Covered Warrants shall be adjusted as follows:
Purchase Price before adjustment: 1815 per Share
Purchase Price after adjustment: 1776.20 per Share
Effective date of the adjustment: 1st April, 1997 (Japan time)
NPK Vintage Limited
Updated Name
South Church Street
Croydon, Surrey
Croydon, Surrey
14th March, 1997
NPK Vintage Limited

Morgan Guaranty Trust Company of New York
PTE 15,000,000,000
Floating rate notes
due March 1998
The rate of interest for the period 24 March 1997 to 23 September 1997 has been set at 6.975% per annum.
Interest payable online
23 September 1997 will amount to PTE 3,307.34 per PTE 100,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

ADELAIDE BANK LTD
US\$150,000,000
Floating Rate Notes due 1998
For the three months from 24th March 1997 to 23rd June 1997 inclusive the Notes will carry an interest rate of 5.94063% per annum.
The interest amount payable per US\$100,000 will be US\$151.82 on 24th June 1997.
AGENT BANK: BARCLAYS BANK PLC
BACS DEBITORY SERVICES
LANCELOT COURT
THORNTON STREET
LONDON EC2N 7JT
BARCLAYS

UK COMPANIES

TODAY
COMPANY MEETINGS:
JFK Oil & Gas, 32, St. Mary at Hill, E.C., 10.00
St. David's Inv Tst, Queens Chamber, 2, North Street, Newport, 12.15
Temple Bar Inv Tst, 18, St. Mary at Hill, E.C., 11.00
BOARD MEETINGS:
Finais:
Amey
Blue Circle
Brammer
Capital & Regional
Properties
Distructech
EBC
Fred Earth
Forth Ports
Global
How
Inchcape
Jacobs
Kingspan
Mansfield (John)
Morgan Crucible
Newport
Ornicare
PPL Therapeutics
Plasmas
Scruftons
Seaford Res
Serif

TOMORROW
COMPANY MEETINGS:
Allied Textile, Forte
Posthouse Hotel, Clifton, Brighouse, W. Yorks., 12.00
Burlington, Honourable
Artillery Co., Armoury House, City Road, E.C., 11.30
Continental Assets Tst, 1, Charlotte Square, Edinburgh, 12.30
Eurocamp, Bridge Hotel, Prestbury, Cheshire, 2.30
Gardiner, Coopers & Lybrand, Minshull Street, Manchester, 10.30
Hanson, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
London Fin & Inv, Honourable Artillery Co., Armoury House, City Road, E.C., 12.00
Nightlight, Transnare Rovers FC, Prenton Park,

Severfield-Reeve
Sharpe & Fisher
Sherwood
T & S Stores
Transit
Trevita Perkins
Ulster TV
VCI
Waterford Wedgwood
Interlms:
GRI
Northern Leisure
Profit Income

TOMORROW
COMPANY MEETINGS:
Allied Textile, Forte
Posthouse Hotel, Clifton, Brighouse, W. Yorks., 12.00
Burlington, Honourable
Artillery Co., Armoury House, City Road, E.C., 11.30
Continental Assets Tst, 1, Charlotte Square, Edinburgh, 12.30
Eurocamp, Bridge Hotel, Prestbury, Cheshire, 2.30
Gardiner, Coopers & Lybrand, Minshull Street, Manchester, 10.30
Hanson, Royal Lancaster Hotel, Lancaster Terrace, W., 11.00
London Fin & Inv, Honourable Artillery Co., Armoury House, City Road, E.C., 12.00
Nightlight, Transnare Rovers FC, Prenton Park,

Wirrell, 12.00
Seacorn, 38, West Ferry Road, E. 12.00
BOARD MEETINGS:
Finais:
Arcoelectric
Baird (Wm)
Booker
Bostrom
Capital Inds
Cathies
Cresan (James)
FBD
Fleming Mercantile
Hemleys
Hodder Headline
Holders Tech
Hunting
Kingsley
London & Manchester
London Sec
Macfarlane
McAlpine (A)
Meristam
New Ireland
P & O
Quality Software
Ruskin
Schell
Socia
Singer & Friedlander
Sun Life & Provincial
Taylor Woodrow
Vero
Whitman
Interlms:

WEDNESDAY MARCH 26
COMPANY MEETINGS:
Bullough, Project Office
Furniture, 26, Euston Road, N.W., 10.00
CC4, 1, Portland Place, W., 11.30
Concurrent Technologies, 4, Gilbert Court, Newcomen Way, Colchester, 4.30
Domnick Hunter, Mint House, 77, Mansel Street, E., 10.00
First Choice Holidays,
Scottish American Inv, 45, Charlotte Square, Edinburgh, 12.00
Updown Inv, 12, Tokenhouse Yard, E.C., 11.45
Visual Action, Adelaide House, London Bridge, E.C., 10.30
BOARD MEETINGS:
Finais:
Avalon
Baylor (Ben) Construction
Blocompables

Alfred London Props
Burn Stewart Distilleries
Frogmore Estates
Kier
Lendu
Scottish Metropolitan Prop

THURSDAY MARCH 27
COMPANY MEETINGS:
Bullough, Project Office
Furniture, 26, Euston Road, N.W., 10.00
CC4, 1, Portland Place, W., 11.30
Concurrent Technologies, 4, Gilbert Court, Newcomen Way, Colchester, 4.30
Domnick Hunter, Mint House, 77, Mansel Street, E., 10.00
First Choice Holidays,
Scottish American Inv, 45, Charlotte Square, Edinburgh, 12.00
Updown Inv, 12, Tokenhouse Yard, E.C., 11.45
Visual Action, Adelaide House, London Bridge, E.C., 10.30
BOARD MEETINGS:
Finais:
Avalon
Baylor (Ben) Construction
Blocompables

Black (A & C)
Brake Bros
Bridon
British Filings
Caradon
Clinton Cards
Corda
Dawsongroup
Fulmer
Garton Eng
Healthall
Johnston Grp
Maiden
Next
Nichols (JN/Vimto)
Quicks
Ruberold
Russell (A)
Swan Hall
TSL
UK Safety
Unicom
Wolstenholme Risk
Interlms:
Barratt Devs
City Technology
Dominion Energy
Gleason (MJ)
McKechie
Provend
Thorpe (FW)

FRIDAY MARCH 28
COMPANY MEETINGS:
Bullough, Project Office
Furniture, 26, Euston Road, N.W., 10.00
CC4, 1, Portland Place, W., 11.30
Concurrent Technologies, 4, Gilbert Court, Newcomen Way, Colchester, 4.30
Domnick Hunter, Mint House, 77, Mansel Street, E., 10.00
First Choice Holidays,
Scottish American Inv, 45, Charlotte Square, Edinburgh, 12.00
Updown Inv, 12, Tokenhouse Yard, E.C., 11.45
Visual Action, Adelaide House, London Bridge, E.C., 10.30
BOARD MEETINGS:
Finais:
Avalon
Baylor (Ben) Construction
Blocompables

2037 21269.94
Total Bank Nederland Fxd/
FRN 2002 29000.0
Treasury 8% 2013 24.0
Updown Inv 18p
Wells Fargo Sd FRN 2000
\$41.25
Wentworth 12.4% Bd 2008
25.1875
Widmore & Riddell 5% Cn Pf
2.5p
Woolwich Bldg Scty FRN
1997 2158.67
Yasuda Tst Asia Pacific Gtd
Amstd Cap FRN 2004
\$1472.66

SATURDAY MARCH 29
COMPANY MEETINGS:
Bullough, Project Office
Furniture, 26, Euston Road, N.W., 10.00
CC4, 1, Portland Place, W., 11.30
Concurrent Technologies, 4, Gilbert Court, Newcomen Way, Colchester, 4.30
Domnick Hunter, Mint House, 77, Mansel Street, E., 10.00
First Choice Holidays,
Scottish American Inv, 45, Charlotte Square, Edinburgh, 12.00
Updown Inv, 12, Tokenhouse Yard, E.C., 11.45
Visual Action, Adelaide House, London Bridge, E.C., 10.30
BOARD MEETINGS:
Finais:
Avalon
Baylor (Ben) Construction
Blocompables

2037 21269.94
Total Bank Nederland Fxd/
FRN 2002 29000.0
Treasury 8% 2013 24.0
Updown Inv 18p
Wells Fargo Sd FRN 2000
\$41.25
Wentworth 12.4% Bd 2008
25.1875
Widmore & Riddell 5% Cn Pf
2.5p
Woolwich Bldg Scty FRN
1997 2158.67
Yasuda Tst Asia Pacific Gtd
Amstd Cap FRN 2004
\$1472.66

SUNDAY MARCH 30
COMPANY MEETINGS:
Bullough, Project Office
Furniture, 26, Euston Road, N.W., 10.00
CC4, 1, Portland Place, W., 11.30
Concurrent Technologies, 4, Gilbert Court, Newcomen Way, Colchester, 4.30
Domnick Hunter, Mint House, 77, Mansel Street, E., 10.00
First Choice Holidays,
Scottish American Inv, 45, Charlotte Square, Edinburgh, 12.00
Updown Inv, 12, Tokenhouse Yard, E.C., 11.45
Visual Action, Adelaide House, London Bridge, E.C., 10.30
BOARD MEETINGS:
Finais:
Avalon
Baylor (Ben) Construction
Blocompables

COMPANIES AND FINANCE

Parmalat to acquire Beatrice Foods

By Paul Bettis in Milan

Parmalat, the Italian dairy products group, has stepped up its aggressive international expansion strategy with the C\$429m (US\$210.2m) acquisition of Beatrice Foods of Canada.

Under the deal, announced in Milan late on Friday, the Italian company will purchase a 75.1 per cent controlling stake worth C\$230m in the Canadian group. Citicorp, the New York bank which has been advising Parmalat, will acquire the remaining 24.9 per cent.

Parmalat is acquiring control from three investment funds - Credit Suisse First Boston, Kermel Zurich and Cerberus. Citicorp said its participation in the acquisition was a financial operation. The bank is eventually expected to dispose of its stake, probably by floating its shares on the market.

Apart from boosting Parmalat's already extensive international activities, the deal marks a new chapter in the checkered history of Beatrice Foods in the last decade.

In 1986, KKR, the group led by Mr Henry Kravis, the Wall Street corporate raider, launched a \$6.2bn

leveraged buy-out of the company. KKR sold off many of the component parts of Beatrice Foods, including the Avis rent-a-car business.

After the asset-stripping, Beatrice Foods was left with only its food business, which KKR sold in 1990. The following year Beatrice was the target of another leveraged buy-out orchestrated by Merrill Lynch, the US investment bank. It then underwent a series of restructuring and recapitalisation programmes, the latest only last year.

Parmalat has been expanding

through acquisitions in Latin America and eastern Europe, and in the US with its purchase four years ago of Atlanta Dairies. However, Mr Calisto Tanzi, Parmalat's chairman, said the Beatrice Foods acquisition was one of the most significant the Italian company had undertaken.

Parmalat, which also reported a 27 per cent rise in 1996 sales to L5,465bn (\$2,240m), said sales this year would total more than L7,200bn with the Beatrice Foods acquisition. The company's gross operating margin rose 22 per cent to L630bn in 1996, while its net

operating margin climbed 27 per cent to L470bn. Cash-flow increased 16 per cent to L370bn.

Beatrice Foods, which has 20 plants in Canada and three in the US, had sales of C\$821m last year. After its latest restructuring, it made an operating profit of around C\$50m last year before debt interest charges.

Mr Tanzi also said the Italian football team Parma, which he controls, was considering a listing on the London stock market along with a number of other Italian football clubs. Parma is currently second in the Italian first division.

CSFB moves into hi-tech financing

By Lisa Branstetter in New York

Credit Suisse First Boston entered the lucrative world of high technology financing on Friday by taking a 25 per cent stake in Volpe Brown Whelan, a specialised San Francisco investment bank.

Through the deal CSFB, which is part of Switzerland's Credit Suisse, joins Union Bank of Switzerland and Germany's Deutsche Morgan Grenfell in the scramble to capture a share of one of the fastest-growing sectors in corporate finance and advisory services. Its investment was just over \$25m.

Until the mid-1990s, banking for small, rapidly developing high-tech and health-care companies - a large number of which are based in Silicon Valley - was the province of local specialist investment banks such as Montgomery Securities, Robertson Stephens, and Hambrecht & Quist. Volpe, which until Friday was known as Volpe Welty, is a smaller competitor in that market.

As technology companies have become more important in the securities industry, larger firms from both the US and Europe have joined the battle to finance them.

Last year, technology companies accounted for almost a third of initial public offerings and 22 per cent of merger and acquisition activity, according to Securities Data, which tracks the securities industry.

In forming an alliance with a San Francisco company rather than hiring local talent, CSFB took a different approach from DMG and UBS.

UBS began assembling a technology group in California largely by raiding talent from other specialist banks in the region, while DMG staged one of the biggest assaults on the field last April, when it hired Mr Frank Quattrone and two other key figures from Morgan Stanley's high-tech banking group.

The new team appears to be helping DMG make inroads. Last year DMG ranked 21st in high-tech M&A work, but has reached tenth place this year.

Mr Quattrone said there has been an increase in competition as large US and European banks have "decided this looks like a big market [they] can't afford to miss".

Mr Stephen Hester, chief financial officer of CSFB, said the acquisition does not alter plans to build its business in growth companies internally. There are no plans to take a larger stake in the company, "but neither of us has ruled it out", he said.

Mr Tom Volpe, president and chief executive of Volpe, said the deal was important because the company's clients needed products, such as high yield and convertible debt, that Volpe did not yet offer.

The deal will also give Volpe's smaller clients access to potential partners in Europe.

BHP reports 69% advance

By Nikki Tait in Sydney

Stronger oil prices and rising copper production helped Broken Hill Proprietary, the Australian resources group, to report third-quarter earnings to end-February, up 69.5 per cent at A\$375m (US\$229m) after tax.

However, the nine-month total, including abnormal items, was up only 6.3 per cent over the same period of 1995-96, at A\$1,170m. Excluding abnormal items, the nine-month profit was A\$1,060m, a 2.6 per cent rise.

Analysts were expecting a significant recovery in the third-quarter figures, with estimates of about A\$350m, so the result caused little excitement. BHP shares, which had been trading at around A\$17.33 before the announcement, ended Friday just three cents higher, at A\$17.36.

The strongest third-quarter performance came from BHP's petroleum division, which doubled profits to

A\$246m, on revenues of A\$1,160m, compared with A\$1,070m.

The group attributed the result to higher oil prices. The average realised price stood at A\$31.36 a barrel in the third quarter, up from A\$26.30 in the same period a year earlier. There was also a A\$18m contribution from the sale of US assets and a lower tax charge. However, BHP also noted that oil prices had peaked in January and had since declined.

The copper unit - which now takes in the Magma business in the US - posted third-quarter profits of A\$145m, up 64.8 per cent on last year, on revenues of A\$971m. The division benefited from higher production and lower unit costs at the Escondido project in Chile and at Papua New Guinea's Ok Tedi mine. It also enjoyed higher realised copper prices.

The group warned that results from its North American and metals divisions



remained "unsatisfactory".

It said cost-cutting moves were "in place", but that modifying the development programme at the giant San Manuel complex in Arizona would take "some months".

On the minerals side, profits were flat at A\$105m, with higher costs in the coal and iron ore operations. Revenues were A\$1,230m, against A\$1,190m.

The steel division saw profits of A\$72m, compared with A\$44m, on revenues of A\$1,870m.

Earnings per share in the quarter were up 65.9 per cent to 22.9 cents. The nine-month total increased 4.1 per cent to 71.4 cents.

Amazon.Com set for IPO

By Lisa Branstetter in New York

Amazon.Com, the Internet bookseller, is expected to register this week to sell its shares to the public in what would be the first big stock-market test of an Internet retailer.

Although a few other Internet retailers have filed to offer shares, none has the profile of Amazon, which bills itself as the world's largest bookstore.

Internet retailing remains small, but Amazon is considered one of its pioneers. Analysts at Forrester Research estimate that electronic retailing generated about \$536m in revenues last year and that annual revenues could grow to \$7bn by 2000.

Mr William Bluestein, group director of new media research at Forrester, says Amazon has revenues of \$15m to \$20m. The company reportedly turns a profit, which remains rare among pure Internet companies.

The company offers 2.5m titles even though it keeps a stock of only several hundred thousand best sellers. "If it's in print, it's in stock," Amazon claims on its website.

Amazon was founded in Seattle in 1995 by Mr Jeffrey Bezos, a former Wall Street investment banker, and quickly built a reputation as one of the smartest users of Internet technology.

Any offering is likely to generate interest because of Amazon's name recognition, but the IPO comes at a difficult time, as technology shares have been hit hard by recent stock market turbulence. The Pacific Stock Exchange technology index is almost 1 per cent below the high it reached in mid-February.

The company also faces competition. Barnes & Noble, the biggest US book retailer, last week announced plans to offer books through America Online.

INTERNATIONAL NEWS DIGEST

Venezuelan media group expands

Venezuela's Cisneros Group, the media and consumer products conglomerate, is to take over Argentina's Imagen Satelital, South America's largest subscriber television company, accelerating its expansion into Latin America. Cisneros will acquire Imagen Satelital for "an amount in excess of \$100m", a source said, adding that there were more acquisitions of North and South American media companies in the pipeline.

The deal would give Cisneros a foothold in the region's most developed cable TV market and increase its control of TV programming material. Imagen Satelital, whose principal shareholder is Mr Alberto Gonzalez, has more than 9m customers. Argentina has a 45 per cent cable TV market penetration, the highest in Latin America along with Mexico. The Cisneros Group is to pay cash but is in talks with international investment banks to refinance the acquisition later.

Raymond Collett, Caracas

AEX shares priced today

Shares in Amsterdam Exchanges are being priced today, placing a value on a stock market itself rather than on its listed companies. AEX, owner of the 25-share index of the same name and operator of the Dutch trading floors for equities, bonds, options and futures, is selling half its equity to institutional investors and those quoted on its boards, after becoming a limited company in January.

Difficulties in assessing the worth of the issue were highlighted last week when ABN-Amro Rothschild, co-ordinator of the offer, roughly doubled the indicative price range. The new level implies a maximum value for AEX of Fl 320m (\$189m), while on the original basis it could have carried a tag of just Fl 150m. The increase in the asking price followed dissatisfaction from member companies in the associations which previously controlled the Dutch markets.

Gordon Cramb, Amsterdam

French groups finalise merger

Suez and Lyonnaise des Eaux are finalising proposals for a merger of the two French groups which are due to be presented to their respective board meetings at the start of next week. The operation would end Suez's history as a diversified holding company and lead to the creation of a single group focused on utilities.

Individuals close to the negotiations said the deal was far from certain, with disagreements over the terms of the merger would take place and concern over the reaction of leading investors. The project is expected to be discussed at Suez on April 1 and at Lyonnaise des Eaux on April 2, ahead of publication of their results. Andrew Jack, Paris

Bre-X Minerals shares fall

Shares in Bre-X Minerals, the Canadian company which claims to have discovered the world's largest gold deposit in the Indonesian jungle, plunged to a 52-week low on Friday after doubts were raised about the size of exploitable reserves. Bre-X shares fell C\$2.25 to C\$15.20 following an Indonesian newspaper report that the Bussang deposit on the island of Borneo contained less than the estimated 71m ounces of gold.

Last Wednesday, Bre-X's chief geologist, Mr Michael de Guzman, disappeared during a helicopter flight to Bussang. Police said he had opened the door and jumped, after leaving a suicide note. After the week's double blow to Bre-X, Mr Rick Cohen, analyst with Toronto brokerage Goepel Shields, told Reuters: "I've concluded the only person who could ever make a movie out of this is Alfred Hitchcock. It's become so bizarre that people have lost any tolerance for staying in [the shares]." Clay Harris

UK side boosts Aegon

Aegon, the Dutch insurer, announced net profits for 1996 had risen 18.5 per cent to Fl 1,570m (\$829m), with its UK operation, Scottish Equitable, performing particularly well. Aegon, which derives nearly 80 per cent of its profits from life insurance, reported net earnings per share of Fl 1.93, up 15.9 per cent in terms of autonomous growth, and proposed a dividend of Fl 2.79. Despite a "war chest" of roughly Fl 1bn, Mr Kees Storm, chairman, said his company would focus on boosting autonomous growth and on operations in the Netherlands, the US, Britain, Hungary and Spain. Gordon Cramb

LVMH
MOËT HENNESSY, LOUIS VUITTON

1996 NET INCOME FROM CURRENT OPERATIONS UP 6%

The LVMH Group's net income from current operations (before goodwill amortization and unusual items) totaled FRF 4,457 million in 1996, or 6% increase over the prior year.

Consolidated net sales totaled FRF 31,142 million in 1996, or 5% increase over the 1995 level. On a constant currency basis, sales would have risen by 6%.

Key 1996 developments were:

- The economic environment remained contrasted, with sluggish growth in western Europe, sustained growth in the US and UK, and a moderate pickup combined with deflationary trends in Japan.
- LVMH recorded a sharp pickup in sales in the second half of the year, with particularly impressive 13% growth in the month of December alone.
- All of the Group's segments conducted highly successful new product launches, despite intensifying competition.
- Financial expenses were down sharply, chiefly reflecting the lower cost of servicing debt.
- LVMH pursued its strategic development in luxury goods activities with the acquisitions of a 61.25% stake in DFS, the world's leading distributor of luxury products, and of Céline and Loewe S.A.
- Consolidated net income after unusual items totaled FRF 3,683 million in 1996, as against FRF 4,047 million in the prior year. Negative unusual items of FRF 615 million primarily reflect the impact on consolidation of the sale of part of LVMH's stake in Guinness PLC.

Major 1996 highlights by segment of activity:

- Champagne and Wines:** Dom Pérignon, Moët & Chandon, Veuve Clicquot Ponsardin, Pommery, Ruinart, Mercier, Canard-Duchêne. The 5% growth in volumes sold, stable costs and higher selling prices fueled the rise in income from operations.
- Cognac and Spirits:** Hennessy, Hine, F.O.V. The sharp increase in sales volume, notably in the US, partly offsets the negative impact of the deterioration of the product mix, chiefly due to lower sales in Asia, leading to stable operating margins.
- Luggage and Leather Goods:** Louis Vuitton, Céline, Loewe, Berluti. The uptrend in sales which began in August gained momentum in the fourth quarter. Céline and Loewe are included in the scope of consolidation for the first time in 1996.
- Perfumes and Beauty Products:** Christian Dior, Guerlain, Givenchy, Kenzo. Increased selectivity in distribution at Parfums Christian Dior - where sales to non-selective, or parallel, networks had reached excessive levels by the end of 1995 - had a sharply negative impact on operating margins of Parfums Christian Dior and of the segment as a whole. All of the year's launches - including Champs-Élysées by Guerlain, Organza by Givenchy, Jungle by Kenzo - were very well received in the marketplace, with sales exceeding initial targets.

Excluding sales to the parallel distribution networks mentioned above, which were deliberately pared back, the LVMH Group gained market share in its four segments of activity.

In 1997, further growth should be recorded in all activity segments, thanks to the Group's strategy emphasizing innovation, creativity and new product introductions, exceptional product quality, and expansion of the distribution networks around the world. Growth should also benefit from the favorable economic environment in North America and from improved US dollar and British pound exchange rates against the French franc, partly offset, however, by the low exchange rate of the Japanese yen against the US dollar.

In addition, with the acquisition of a controlling interest in DFS, the LVMH Group should benefit even more from the growth potential of the Asia-Pacific region. DFS will contribute positively to Group net income from current operations (before amortization of goodwill) and cash flow in 1997.

On the basis of this outlook, the LVMH Group has set a goal of achieving another increase in sales and net income for 1997. The Board of Directors will ask the Annual General Meeting of Shareholders, to be held on May 29, 1997, to approve a net dividend of FRF 20.40 per share, an increase of 6% over the prior year level, payable on June 13, 1997.

Consolidated financial highlights are as follows:

In FRF million	1996	1995
Consolidated net sales	31,142	29,775
Income from operations	7,022	7,285
Net income from current operations	4,457	4,196

By segment of activity, sales and income from operations are as follows:

In FRF million	Sales		Income from operations	
	1996	1995	1996	1995
Champagne and Wines	6,409	5,836	1,246	1,064
Cognac and Spirits	4,885	5,277	1,560	1,678
Luggage and Leather Goods	9,026	7,415	3,903	3,477
Perfumes and Beauty Products	8,962	9,277	592	1,256
Other Activities, including holding company expenses	1,860	1,970	(279)	(190)
TOTAL	31,142	29,775	7,022	7,285

THE WORLD'S LEADING LUXURY PRODUCTS GROUP



FINANCIAL TIMES MARKETS THIS WEEK



Global Investor / Philip Coggan

Bet on chicken entrails

The history of stock market forecasts reveals that investors might just as well have used chicken entrails as Elliott waves or the analysis of economic fundamentals. But if it is difficult to make successful forecasts, at least it is possible to examine the assumptions on which predictions are based. Henry Townsend, a Washington-based economist who used to work for the Bureau of Economic Affairs, has produced a paper on the subject.

He breaks down total return into six components: the annual growth in real gross domestic product; inflation; the growth of dividends per share relative to GDP; the effect of reinvested dividends; the effect of changes in yield; and a residual.

He looked at the history of the US stock market to see how those factors contributed to total return. Over the period 1929-96, GDP growth and inflation are obviously important but dividend reinvestment was the single most important factor, with a geometric average of 4.4 per cent.

However, over the period 1987-96, all three factors were swamped by the effect of lower dividend yields, which has offered a geometric average return of 6.5 per cent per year.

In other words, the main factor behind the rise in the market has been its continued re-rating by investors. This bears some similarity with the Tokyo stock market in the 1980s, when the main propellant was not superior

earnings growth but investor's willingness to give a higher rating to those earnings.

"While dividend growth should go on forever as a source of total return, sooner or later dividend yields must stop falling; there must be some limit to how low they can go," writes Townsend.

As an example, he cites the assumption of the US advisory panel on the future of Social Security that stocks can achieve a 7 per cent real return. Look at the planning horizon for Social Security of 75 years, take the figures for the residual and the growth in dividends relative to GDP at their recent averages, and assume, like the panel, a real GDP growth rate of 1.5 per cent per annum. The implication, at the end of the 75

year period, is that the dividend yield would be less than 0.1 per cent. Pretty implausible.

The formula can be useful over much shorter periods. Townsend uses the concept of "reversion to mean" saying that when price/earnings ratios are high and dividend yields low, as they are today, there seems to be a tendency for prices to revert to more normal valuation levels.

If one assumes 2 per cent GDP growth, 3 per cent inflation and 0.3 per cent per annum in dividends relative to GDP over the next 10 years, then dividends will grow by a cumulative 69 per cent over the period.

On the modest assumption that the dividend yield rises to 2.5 per cent by the end of 2006, then the S&P 500 index

Factors of total return

	1929-36	1937-46	1947-56	1957-66	1967-76	1977-86	1987-96
Annual return	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Real return	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Dividend yield	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Dividend growth	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Reinvestment	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Yield change	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

Notes: Total annual return = Real return + Dividend yield + Dividend growth + Reinvestment + Yield change + Residual.

Real return = Total annual return - Inflation.

Dividend growth = Dividend yield - Inflation.

Reinvestment = Dividend yield - Inflation.

Yield change = Dividend yield - Inflation.

Residual = Total annual return - Real return - Dividend yield - Dividend growth - Reinvestment - Yield change.

Source: Townsend, "The History of the US Stock Market: A Retrospective", 1997.

MARKETS: This Week

NEW YORK By Richard Waters

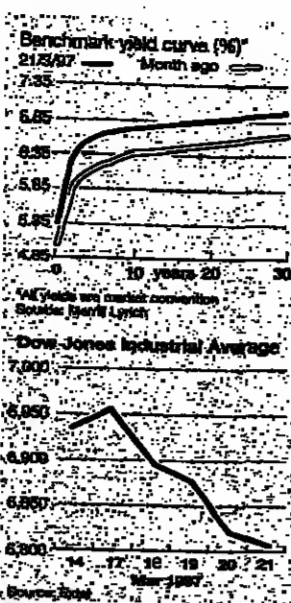
There will be two questions on investors' minds as this week gets under way: Will the Federal Reserve's policy-making committee raise interest rates at its meeting tomorrow, and if so, will this be the first in a series of increases?

By the end of last week, the Treasury bond market had tilted heavily towards the view that the Fed would indeed act, and the Dow Jones Industrial Average had fallen back to 6,800, its lowest point for five weeks.

There has been little evidence that inflation is building, but the economy's strong start to the year and repeated comments from Mr Alan Greenspan, most recently last week, that pre-emptive action may be necessary to head off price increases, have primed the markets. A 25 basis point rise in short-term rates is now widely expected.

The immediate effects of a rise are likely to be more contained than in 1994, when monetary tightening took investors by surprise and hit bond markets around the world. Long-term bond yields are a percentage point higher than they were then, even though the core consumer price index is rising more slowly.

The dollar's strength, in part on growing expectations



of higher US rates, is likely to continue to draw foreign money into Treasuries. On the other hand, higher short-term rates would choke off some of the liquidity that has supported the rise in US financial markets generally.

A further modest retreat in financial asset prices - with the 30-year bond yield above 7 per cent and the Dow marking time below 7,000 - could reduce the risk of more stringent Fed action in the months ahead.

LONDON By Philip Coggan

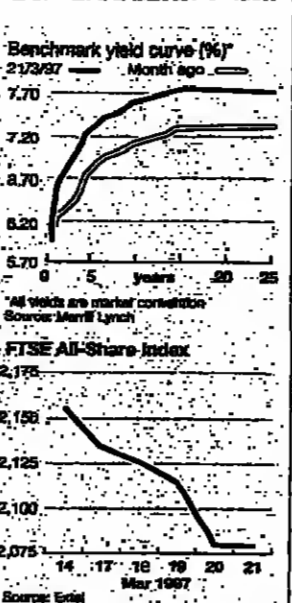
The UK market will lift its head from pondering the daily election battle to worry about events across the Atlantic this week - notably the meeting of the Federal Reserve Open Market Committee tomorrow.

Fears that the Fed might raise interest rates by a quarter or even a half percentage point were more important than political worries in knocking the FTSE 100 index off its perch last week.

Nevertheless, uncertainty about the election result is likely to give the equity market some nervous moments as May 1 approaches; the gilt market seems a little more relaxed about the chances of a Labour victory.

Back home, the chancellor of the exchequer and the governor of the Bank of England have their monthly meeting on Wednesday. Mr Kenneth Clarke may be a maverick but it would be astonishing if he raised rates so soon before the election; a post-election conference with Labour's Mr Gordon Brown may be Mr Eddie George's best hope of action. The governor will no doubt have viewed last week's rise in average earnings growth with alarm.

On the results front, there are plenty of important



companies reporting, notably Blue Circle, P&O, Sun Life & Provincial, Caradon, Next and Redland. The effect of sterling will once again be one of the most important factors monitored by analysts.

Trading will start to wind down before the long Easter holiday weekend. Given the recent falls, market-makers are unlikely to want to have long looks at the start of the holiday, which could prompt some weakness in shares on Thursday.

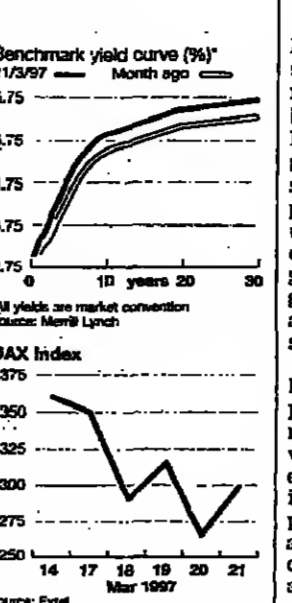
FRANKFURT By Andrew Fisher

The German stock market looked set for a bout of takeover fever last week - a rarity in Germany, where deals are usually worked out behind closed doors. When Krupp Hoesch said it wanted to acquire Thyssen, its steel and engineering rival, the prospect of a bid battle on Anglo-Saxon lines - with the full panoply of investment bank advisers, takeover strategists and legal experts - opened up dramatic scope.

But by the weekend it was backed to closed doors. Under the influence of irate employees, trade unions and politicians, the companies sat down to talk. Thyssen itself had helped confuse the atmosphere by talking of "wild west" tactics before seeing the offer.

Yet Thyssen shareholders had some satisfaction, though the bid has not been put to them. Their shares rose last week by 13 per cent to DM381, compared with Krupp's offer of DM436 a share. Some analysts put the internal value of Thyssen shares at DM500 or more, on the basis of net asset value. Krupp shares gained 16 per cent to DM320.

Whether the bid is pursued or a compromise found, however, the idea of the hostile bid has entered the German financial scene. It could well affect other



industrial sectors. For the market as a whole, bid considerations could help maintain the buoyancy seen on Friday when the DAX blue chip index rose 1.3 per cent to 3,288.82.

Beyond Germany, the German markets will be focused on the US, where a rise in interest rates is expected from the Federal Reserve. At home, annual press conferences of Veba, BMW, Deutsche Bank and BHP-Bank should stimulate interest.

TOKYO By Gwen Robinson

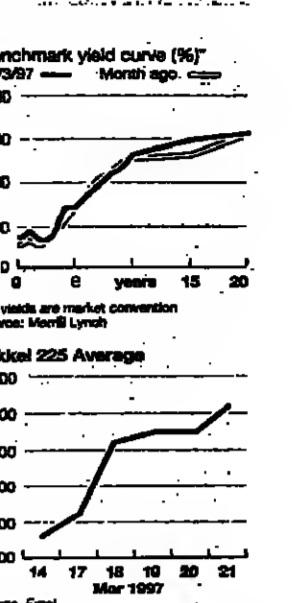
Markets will be watching several key factors in the run-up to Japan's March 31 business year-end. Interest is likely to focus on the government's promised scheme to revitalise the property market, to be unveiled on March 31. The equity market has already gained support from the government's initial announcement of the scheme on March 18.

Shares in banks, which have big non-performing property-backed loans, rose nearly 7 per cent over the week. The package is expected to help financial institutions dispose of property held as collateral against bad loans. At best, it could stimulate the economy as a whole and, in particular, sectors such as construction, real estate and financial institutions.

"If the package is bold, this may cement expectations that Japanese land prices have troughed," said Mr Michael Hartnett, economist at Merrill Lynch in Tokyo. "But the measures will not address the underlying reason for the poor performance of bank stocks on the equity market and the resultant low level of rate expectations."

Weakness in bank stocks indicates a lack of industry consolidation, which affects the ability of deregulation to enhance productivity and earnings, and thus share prices, he said.

The bond market is likely to fall over the week, with speculation about a rise in US interest rates adding to concern over the property market bail-out. If the plan contains concrete and feasible measures to stimulate the market, investors will sell on the view that a revival in the property market could lead to higher interest rates.



European bourses rallied on Friday, but most traders remained cautious ahead of the run-up to the Easter holidays.

OTHER MARKETS Compiled by Jeffrey Brown

European bourses rallied on Friday, but most traders remained cautious ahead of the run-up to the Easter holidays.

PARIS

After a week of wild swings, the French market closed on Friday within 4 per cent of its March record. Having trailed by 6 per cent at one stage, it was an impressive recovery.

However, activity fell away, with turnover slipping to below average levels. "The chances are that turnover will stay low this week in the four day run-up to Easter. But it's likely to stay a humpy ride," said one broker.

The main support level on the CAC 40 looks to have been confirmed at 2,550. The index came perilously close

to this on Thursday when the latest Greenspan-inspired wobble on Wall Street sent the market sharply lower.

On balance, last week's welter of results were up to expectations, but there were disappointments, notably from Michelin and Pernod-Ricard. Some shares were heavily punished.

This week's batch of figures could help restore sentiment. Profits growth of a third is expected from both Pinault-Printemps on Thursday and Axa-UAF on Wednesday. At Schneider, due on Thursday, broker forecasts are close to a 50 per cent gain.

AMSTERDAM

Dutch shares were one of the European laggards last week, with sentiment

severely undermined by rising bond yields and profit warnings from Nedlloyd and KNP, two components of the leading AEX index.

There could be scope for further disappointments. Fortia Amey reports on Wednesday and the range of broker estimates for the insurance group's profits is remarkably wide, extending from Ft 700m to more than Ft 800m, against Ft 693m in 1995.

Having steamed ahead by a third in the two months to March, the stock has fallen sharply this month.

ZURICH

Roche unveils 1996 results today, but assuming that net profit is within the forecast range of SF3.9bn to SF4.1bn, up from SF3.4bn a year earlier, investors will be more

interested in news about new products and future strategy.

The shares saw a flurry of activity at the end of last week after a note from Credit Suisse First Boston suggested that the group could buy back its certificates with no material tax consequences. It added that a buy-back, not currently factored into the share price, was more likely than a large acquisition.

Nestlé is scheduled to announce full-year figures on Wednesday.

HONG KONG

Interest rate worries and nervousness about property have weighed heavily on the Hang Seng index in recent sessions, pushing the leading index firmly down through its 12,600 support level.

There was a modest rally on Friday, with the Hang Seng closing 16.97 higher at 12,489.30, but few brokers were willing to bet on any concerted recovery until the widely expected rise in US interest rates is finally out in the open.

Investor sentiment in direct property faces a number of tests. Wednesday takes in the latest government land auction while analysts will be actively poring over the weekend's pre-sale result on the big Laguna Verde residential project.

Glite Enterprises, the red chip share issue which was almost 800 times subscribed, makes its debut on Wednesday.

The results season continues this week, with Cheung Kong and Hutchison Whampoa both reporting on Wednesday.

Focus on USDA reports

The US Department of Agriculture will release two benchmark quarterly reports this week that should provide insight into both the supply of and demand for feed-grains and oilseeds over the coming season.

Grain traders and meat merchandisers will look closely at Thursday government report on the prospects for the US hog herd.

Analysts expect the overall size of the pig population to be little changed from a year ago, at about 56.7m animals. However, the data should show that the US hog breeding herd is being rebuilt, a response to the decline in feed prices, primarily maize, since last spring.

Mr Chuck Levitt, senior livestock analyst for Chicago-based Alaron, says the expansion of the hog herd will gain momentum through the summer.

He expects the number available for slaughter will be lower than last year in Thursday's report, but projects the number of market-ready hogs will rise by the time the government's next quarterly status report is issued.

An expanding hog herd translates into growing demand for US feed-grains. Traders believe the US has ample maize to devote to domestic animal feeding, but supplies of soybeans, a high-protein alternative feed, are razor-thin.

Next Monday morning, March 31, the USDA reports on the status of grain stocks, particularly maize and soybeans, across the US.

With domestic crushing and exports going forward at record rates, some analysts expect the figures to show soybean stocks dwindling at a rate that could prompt the government to lower its 140m bushel estimate of year-end soybean carry-over.

Also next Monday, the USDA releases its March 1 survey of farmer's spring planting intentions for maize and soybeans.

Chicago futures markets will be closed on Friday but will be open on Monday, March 31.

PARIS

After a week of wild swings, the French market closed on Friday within 4 per cent of its March record. Having trailed by 6 per cent at one stage, it was an impressive recovery.

However, activity fell away, with turnover slipping to below average levels. "The chances are that turnover will stay low this week in the four day run-up to Easter. But it's likely to stay a humpy ride," said one broker.

The main support level on the CAC 40 looks to have been confirmed at 2,550. The index came perilously close

AMSTERDAM

Dutch shares were one of the European laggards last week, with sentiment

severely undermined by rising bond yields and profit warnings from Nedlloyd and KNP, two components of the leading AEX index.

There could be scope for further disappointments. Fortia Amey reports on Wednesday and the range of broker estimates for the insurance group's profits is remarkably wide, extending from Ft 700m to more than Ft 800m, against Ft 693m in 1995.

ZURICH

Roche unveils 1996 results today, but assuming that net profit is within the forecast range of SF3.9bn to SF4.1bn, up from SF3.4bn a year earlier, investors will be more

interested in news about new products and future strategy.

The shares saw a flurry of activity at the end of last week after a note from Credit Suisse First Boston suggested that the group could buy back its certificates with no material tax consequences. It added that a buy-back, not currently factored into the share price, was more likely than a large acquisition.

HONG KONG

Interest rate worries and nervousness about property have weighed heavily on the Hang Seng index in recent sessions, pushing the leading index firmly down through its 12,600 support level.

There was a modest rally on Friday, with the Hang Seng closing 16.97 higher at 12,489.30, but few brokers were willing to bet on any concerted recovery until the widely expected rise in US interest rates is finally out in the open.

Investor sentiment in direct property faces a number of tests. Wednesday takes in the latest government land auction while analysts will be actively poring over the weekend's pre-sale result on the big Laguna Verde residential project.

Glite Enterprises, the red chip share issue which was almost 800 times subscribed, makes its debut on Wednesday.

The results season continues this week, with Cheung Kong and Hutchison Whampoa both reporting on Wednesday.

Traders expect Greenspan to raise rates

There is just one big question for currencies traders this week: will the Federal Open Market committee raise US interest rates after its meeting tomorrow?

An increasing number of dealers have come to believe that it will. The US economy is thriving, and although most recent price data have been soft, last week's consumer price inflation emerged strong.

Mr Alan Greenspan, chairman of the Federal Reserve, swiftly backed the figures up with hawkish talk about the need to jump on inflation fast. "We're now in a position where we have to move ahead of the curve," he told a congressional committee on Thursday.

The most likely move is thought to be a 25 basis point increase in the key Federal funds rate to 5.50 per

cent. The last change to US rates was a 25 basis point cut in January of last year.

The effect on the dollar of a Fed funds rate rise is uncertain. Usually, the currency falls for the first few months after an increase, because stock and bond markets tend to fall. In the past, the dollar has taken up to two years to recover to its pre-rate rise level on the back of higher US yields.

The effect of an increase in US interest rates could be sharper on the currencies of emerging markets countries.

If the cost of borrowing in the US rises, investors may become less inclined to borrow dollars and use them to buy high-yielding foreign assets.

Already, most emerging market currencies have fallen in recent weeks on fears of a Fed tightening.

The other main event of the week is the expected Italian mini-budget.

It aims to cut between L15,000bn and L16,000bn from the country's budget deficit in order to raise Italy's chances of qualifying for European economic and monetary union.

However, currency strategists will be keen to see whether the cuts are likely to be sustainable or not.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 21, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN	£ STG	US \$	D-MARK	YEN
Algeria (DZD)	137.21	475.00	302.67	369.77	France (F)	1.0000	1.0000	166.63	1.0000	1.0000	166.63	166.63
Angola (Kz)	200.00	200.00	200.00	200.00	Germany (M)	1.0000	1.0000	166.63	1.0000	1.0000	166.63	166.63
Argentina (P)	1,350.00	1,350.00	1,350.00	1,350.00	Greece (Dr)	340.75	340.75	340.75	340.75	340.75	340.75	340.75
Australia (A\$)	1.5478	1.5478	1.5478	1.5478	Hong Kong (HK\$)	7.7556	7.7556	7.7556	7.7556	7.7556	7.7556	7.7556
Austria (S)	13.7603	13.7603	13.7603	13.7603	India (Rupee)	47.8331	47.8331	47.8331	47.8331	47.8331	47.8331	47.8331
Bahrain (D)	4.7630	4.7630	4.7630	4.7630	Indonesia (Rp)	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80	1,547.80
Bangladesh (Taka)	8.3333	8.3333	8.3333	8.3333	Italy (Lira)	2,036.27	2,036.27	2,036.27	2,036.27	2,036.27	2,036.27	2,036.27
Belgium (F)	13.7603	13.7603	13.7603	13.7603	Japan (Yen)	166.63	166.63	166.63	166.63	166.63	166.63	166.63
Belize (BZ\$)	2.0136	2.0136	2.0136	2.0136	Korea (Won)	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Bolivia (Bs)	6.9131	6.9131	6.9131	6.9131	Malaysia (RM)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Brazil (R\$)	2.7540	2.7540	2.7540	2.7540	Mexico (P)	16.6667	16.6667	16.6667	16.6667	16.6667	16.6667	16.6667
Bulgaria (BGN)	1.9363	1.9363	1.9363	1.9363	Moldova (Leu)	10.0000	10.0000	10.0000	10.0000	10.0000	10.0000	10.0000
Canada (C\$)	0.7136	0.7136	0.7136	0.7136	Monrovia (L)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Chad (CFA F)	655.95	655.95	655.95	655.95	Nigeria (N)	193.63	193.63	193.63	193.63	193.63	193.63	193.63
Chile (P)	800.00	800.00	800.00	800.00	Peru (N)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
China (Yuan)	8.2756	8.2756	8.2756	8.2756	Romania (Lei)	10.0000	10.0000	10.0000	10.0000	10.0000	10.0000	10.0000
Colombia (C\$)	2,000.00	2,000.00	2,000.00	2,000.00	Russia (Ruble)	47.8331	47.8331	47.8331	47.8331	47.8331	47.8331	47.8331
Costa Rica (C\$)	2.0136	2.0136	2.0136	2.0136	Saudi Arabia (R)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Croatia (Kuna)	23.7603	23.7603	23.7603	23.7603	Senegal (CFA F)	655.95	655.95	655.95	655.95	655.95	655.95	655.95
Cuba (CUP)	24.0000	24.0000	24.0000	24.0000	Sierra Leone (L)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Czech Rep (C\$)	2.0136	2.0136	2.0136	2.0136	South Africa (R)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Dominican Rep (P)	20.0000	20.0000	20.0000	20.0000	Spain (P)	166.63	166.63	166.63	166.63	166.63	166.63	166.63
Dominican Rep (D\$)	20.0000	20.0000	20.0000	20.0000	Sweden (K)	13.7603	13.7603	13.7603	13.7603	13.7603	13.7603	13.7603
Dominican Rep (G\$)	20.0000	20.0000	20.0000	20.0000	Switzerland (F)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Dominican Rep (H\$)	20.0000	20.0000	20.0000	20.0000	Taiwan (N)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Dominican Rep (I\$)	20.0000	20.0000	20.0000	20.0000	Thailand (B)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Dominican Rep (J\$)	20.0000	20.0000	20.0000	20.0000	Togo (CFA F)	655.95	655.95	655.95	655.95	655.95	655.95	655.95
Dominican Rep (K\$)	20.0000	20.0000	20.0000	20.0000	Tunisia (D)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Dominican Rep (L\$)	20.0000	20.0000	20.0000	20.0000	Turkey (Lira)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Dominican Rep (M\$)	20.0000	20.0000	20.0000	20.0000	Uganda (Sh)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Dominican Rep (N\$)	20.0000	20.0000	20.0000	20.0000	Uruguay (P)	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603	3.7603
Dominican Rep (O\$)	20.0000	20.0000	20.0000	20.0000	USA (D)	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Dominican Rep (P\$)	20.0000	20.0000	20.									

سید کاظم علی

WORLD INTEREST RATES

MONETARY RATES								
CURRENCY EXCHANGE RATES								
March 21	Over night	One month	Three months	Six months	One year	Lomb. Inter.	Dis. rate	Res. rate
Belgium	3½	3½	3½	3½	3½	6.00	2.50	-
week ago	3½	3½	3½	3½	3½	6.00	2.50	-
France	3½	3½	3½	3½	3½	3.10	-	4.75
week ago	3½	3½	3½	3½	3½	3.10	-	4.75
Germany	3½	3½	3½	3½	3½	4.50	2.50	3.00
week ago	3½	3½	3½	3½	3½	4.50	2.50	3.00
Ireland	5½	5½	5½	5½	5½	-	-	6.25
week ago	5½	5½	5½	5½	5½	-	-	6.25
Italy	7½	7½	7½	7½	7½	8.25	6.15	7.15
week ago	7½	7½	7½	7½	7½	8.25	6.15	7.15
Netherlands	3½	3½	3½	3½	3½	-	3.00	3.35
week ago	3½	3½	3½	3½	3½	-	3.00	3.35
Switzerland	1½	2	1½	1½	1½	-	1.00	-
week ago	2	1½	1½	1½	1½	-	1.00	-
US dollar	5½	5½	5½	5½	5½	6.00	-	5.50
week ago	5½	5½	5½	5½	5½	6.00	-	5.50
Japan	5½	5½	5½	5½	5½	6.50	-	6.50
week ago	5½	5½	5½	5½	5½	6.50	-	6.50
\$ & LBOR FT London								
Libor Bank	-	5%	5%	5%	5%	-	-	-
week ago	-	5%	5%	5%	5%	-	-	-
US Dollar Cde	-	5.45	5.52	5.64	5.83	-	-	-
week ago	-	5.45	5.25	5.35	5.61	-	-	-
EU Linked De	-	4.6	4.7	4.8	4.9	-	-	-
week ago	-	4.6	4.7	4.8	4.9	-	-	-
SDR Linked De	-	3½	3¾	3¾	3¾	-	-	-
week ago	-	3½	3¾	3¾	3¾	-	-	-
\$ LIBOR Interest <small>(bank rates are offered rates for \$10m equated to the market by the following banks at 1 month maturity)</small>								
Banque Paris	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3½ - 3½	3½ - 3½	3½ - 3½
Credit Lyonnais	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3½ - 3½	3½ - 3½	3½ - 3½
German Mark	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3¼ - 3½	3½ - 3½	3½ - 3½	3½ - 3½

Swiss Franc	2 - 1 $\frac{1}{2}$	2 $\frac{1}{16}$ - 2 $\frac{3}{16}$	2 $\frac{1}{8}$ - 1 $\frac{7}{8}$	2 - 1 $\frac{7}{8}$
Canadian Dollar	2 $\frac{15}{16}$ - 2 $\frac{3}{4}$	3 $\frac{1}{16}$ - 3	3 $\frac{1}{2}$ - 3 $\frac{1}{2}$	3 $\frac{3}{16}$ - 3 $\frac{1}{16}$

[illegible]

BASE LENDING RATES

	%		%		
Adams & Company	6.00	Durston Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	8.00	Exeter Banks Limited	7.00	Sanger & Fiddlerman	6.00
Alley Ansbacher	6.00	Financial & Gen Bank	7.00	Smith & Wainwright Sec's	6.00
Bank of Baroda	6.00	H Robert Fleming & Co Ltd.	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	M Robinson Pearson	8.00	TSB	6.00
Bank of Cyprus	6.00	Midland Bank AG	6.00	The Bank of Kuwait	6.00
Bank of Ireland	6.00	Northern Bank	6.00	Unit Trust Bank Plc	6.00
Bank of India	6.00	O Harbottle & Gov Inc	6K.50	Western Trust	6.00
Bank of Scotland	6.00	OHM Standard	6.00	Whiteaway Laidlaw	6.00
Barings Bank	6.00	C. Hoare & Co	8.00	Yorkshire Bank	6.00
Brit Bk of Ind East	6.00	Hornby & Strangford	6.00		
BNP Spain & La Lid	6.00	Invesco Bank PLC	Ltd 6.00		
Calbank NA	6.00	Judge Hodge Bank	6.00	Members of London International Banking Association	
Citibank Bank	6.00	Kapoor Joseph & Sons	6.00	In Administration	
The Cooperative Bank	6.00	Lloyds Bank	6.00		
Courts & Co	6.00	London City Bank	6.00		
Cyprus Popular Bank	6.00	NetWired Bank	6.00		
		Poe Brothers	6.00		

MERCURY SELECTED TRUST (SICAV)
R.C. Luxembourg-B.6317

MERCURY OFFSHORE STERLING TRUST (SICAV)
R.C. Luxembourg-B.24.990
("The Companies")

Registered Office: 6D, route de Trèves, Semmelingberg

NOTICE TO SHAREHOLDERS

Shareholders are informed that RBS Trust Bank Ltd., Luxembourg Branch became the Companies' Custodian and Administrator on 22nd March 1997. There will be no increase in the charges made to the Companies for these services.

Addenda to the Companies Prospectuses were issued on 22nd March 1997 describing these and other changes. Copies of the Addenda are available on request from the registered offices of the Companies and from the new Paying Agent in the UK, SBC Warburg (a division of Swiss Bank Corporation), Swiss Bank House, 1, Hish Timber Street,



**All Futures, Options
& Margined Forex**

Contact: James Allan
Tel: 0171 337 3999
Fax: 0171 337 3997

**24
HRS**



Election Announced?

Rail Time Sacks, Crossroads, Bonds, Derivatives Now

Tel: +44 (0) 171 403 4541
Fax: +44 (0) 171 403 4613
Email: tsf@tsf.co.uk

Petroleum Argus European Natural Gas Report

Comprehensive daily report covering the UK and European gas markets

Petroleum Argus

CALL NOW A FREE TRIAL! Tel: +44 (0) 171 350 8792

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the landline or handset of your mobile phone.

Calls are charged at 2p/min. There are no charges at all other times. For service outside the UK please telephone +44 171 875 4378 for details on Cityfone International.

If you would like to advertise, or require any further information, please contact:

Jeremy Nelson
Tel: 0171-873-3447 Fax: 0171-873-3

THE MARKET CD ROM
100+ programmes inc 30+ great technical analysis
packages, 40 demos, stock/futures histories, data & loan
values, portfolio management software etc £34 inc p&h
Call 0181 730 1680 in UK or Spain +34 71 402 854
Also, realtime forex and futures on Astra from just £39 a month

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT MANAGED FUNDS SERVICE

LUXEMBOURG ASB RECOGNISED


[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

[illegible]

Rockwell leads the world in integrated data/fax/voice modem products.

 **Rockwell**

<http://www.rockwell.com>

[illegible][illegible]

S

NASDAQ NATIONAL MARKET[illegible]

- T -						
IF 3	9	561	43%	14%	4%	+3
TJ 202 1/2	0.22	23	482	204	19%	+2
Totals-NO	0.08	16	302	10	0	3%
Tokyo Mar	0.19	28	283	51%	50%	51%
Yam Brown	65	70	15	184	102	
Totals/Ship	17	5	84	0%	3%	
Yamex Co	0.30	49	46	31%	31%	
Transitall	15	1272	10%	4%		+2
Transmed		687	4%	4%		
Transmed x	1.44	10	150	50%	49%	4%
Trenton		513	13%	12%	13%	
Turomen		128	21%	24%	21%	
Transmed/CA 18 15		39	21%	28%	21%	+3
Town Line		465	4%	42%	3%	
Yps/SA	0.10	52	384	21%	20%	20%

- U -						
-------	--	--	--	--	--	--

4 pm close March 2

[illegible][illegible][illegible]

GUIDE TO THE WEEK

MONDAY 24

Flights resume to Tirana

Olympic Airways, the Greek carrier, resumes flights to Tirana following a two-week gap. Albania's only international airport reopened after pro-government forces regained control of the area around the capital. Other airlines are also expected to resume regular flights this week. Greece is anxious to restore normal ties as soon as possible in order to protect its ethnic minority in the still-rebellious south.

Blood trial in Osaka

The trial opens in Osaka, Japan, of Renzo Matsushita, the former president of Green Cross, the pharmaceutical company that sold HIV-tainted blood products. Matsushita and two other executives are charged with professional negligence resulting in the death of a haemophilic user of the company's blood products. Meanwhile, in a separate case in Tokyo, a ruling is to be handed down in the trial of Takao Fujinami, the former chief cabinet secretary, who is accused of receiving bribes from Recruit, the employment services and information group.

Gore visits China

Al Gore, the US vice-president, begins a six-day visit to Beijing in spite of recent human rights disagreements and amid allegations of Beijing funding for the Democratic party. Mr Gore will be the most senior US government official to visit Beijing since the massacre in Tiananmen Square in 1989.

Academy Awards in LA



The Academy Awards ceremony takes place in Los Angeles and is expected to be dominated by films nominated for their artistic rather than mass-market appeal. The leading players in *The English Patient*, *Shine*, *Secrets and Lies* and *Fargo* are not the usual, instantly recognisable super-heroes. However, the producers are content: the best-picture candidates have already increased their total box office take by more than a third since their Oscar nominations.

FT Surveys

Guernsey; Insurance.

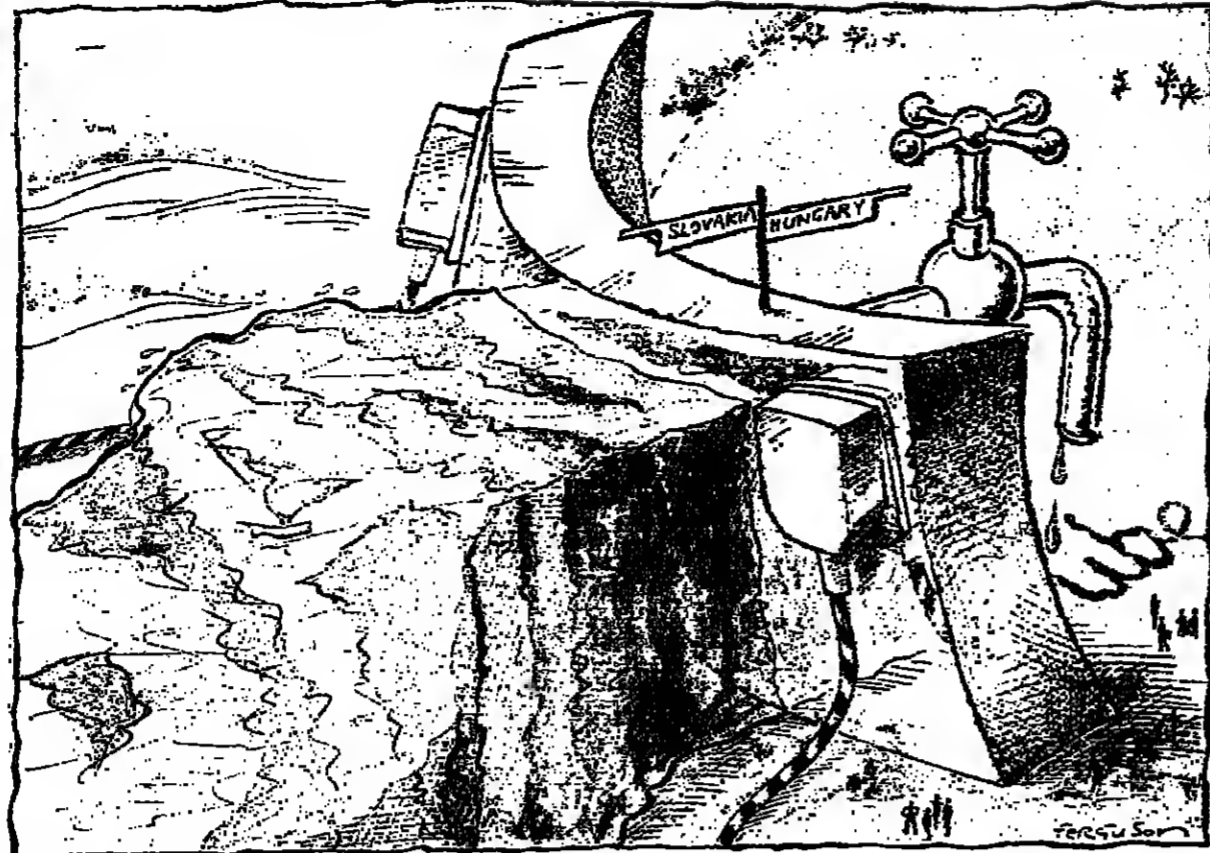
Public holidays

Albania, Guyana, Iran.

TUESDAY 25

Fed poised on rates

The Federal Reserve's open market committee meets to consider whether to raise short-term interest rates. Mounting evidence of strong growth in



Dam all: Slovakia gives evidence to the International Court of Justice in its dispute with Hungary over diverting the Danube for hydroelectric power

the economy in the past six months has led most private-sector economists to expect the US central bank to tighten policy for the first time in two years. But, with still very little firm evidence of an acceleration in inflation, the Fed is thought unlikely to raise the Fed funds rate by more than 0.25 percentage points. Investors will be hoping that will prove sufficient to cool the economy down without the need for further increases later this year.

Rome celebrates EU treaty

EU foreign ministers gather in Rome to celebrate the 30th anniversary of the signing of the Treaty of Rome, which founded the then European Economic Community. After the celebrations, ministers will discuss progress in the Maastricht treaty review conference (IGC), whose task is to streamline EU decision-making before its enlargement to central and eastern Europe.

FT Surveys

Investing in South Africa; Japanese Finance and Investment.

Public holidays

Cyprus, Greece, San Marino.

WEDNESDAY 26

WTO adopts IT accord

About 40 countries meet at the World Trade Organisation in Geneva to adopt an information technology agreement eliminating tariffs on computer hardware and software, semi-conductors, telecoms equipment and scientific instruments by 2000. The participants - including the US, EU

and Japan - represent more than 60 per cent of the global IT trade, worth more than \$600bn (£314bn) a year. The tariff cuts will start in July.

African border tensions

African heads of state are to meet under the auspices of the Organisation of African Unity (OAU) in Lome, the capital of Togo, to discuss the crisis in the Great Lakes region. The rebel uprising in east Zaire challenges one of the OAU's founding tenets - the inviolability of the frontiers established in Africa by the western colonial powers. Analysts say its repeated calls for a ceasefire are prompted in large part by fears that Laurent Kabila's guerrillas redraw the map of central Africa, their own countries' borders could also be up for negotiation.

Howard leaves for China

John Howard, the Australian prime minister, visits Singapore before flying on Friday to China, where he is to meet Premier Li Peng and President Jiang Zemin. Mr Howard will be the first foreign leader in China since the funeral of paramount leader Deng Xiaoping. Sino-Australian relations have been delicate recently. China protested over Mr Howard meeting the Dalai Lama, the exiled Tibetan spiritual leader, last year, and was angered by a ministerial visit to Taiwan. It is also concerned over Australian-US defence ties.

FT Surveys

Poland; Cyprus.

Public holidays

Bangladesh, El Salvador, Mali.

THURSDAY 27

German steel deadline

The deadline falls for talks between Thyssen and Krupp Hoesch, the German industrial groups, on forming a joint steel venture. The negotiations follow Krupp's hostile bid for Thyssen last week, which was put on ice for eight days. If talks fail, Gerhard Cromme, Krupp's chairman, has vowed to resume his ambitious assault on the entire Thyssen group.

Thais burn seized drugs



Thai drug authorities stage their annual public burning of the illegal drugs they have seized. In addition to the 1,113kg of marijuana and 120kg of opium to be torched, thousands of tablets of amphetamines and ecstasy will also be burned. Thailand hopes to divert attention from the recent, secret granting of bail to the trafficker Li Yun-chun, who was awaiting an extradition hearing to the US. Li jumped bail and fled the country.

Kendo

The 10th world championship for kendo, one of Japan's leading traditional martial arts, takes place in Kyoto (to Mar 30). About 400 foreign and Japanese competitors will participate. The sport is a form of

fencing, utilising a long sword made of bamboo.

Cricket

West Indies v India, 3rd Test (to Apr 1).

FT Survey

Brighton and Hove.

Public holidays

Argentina, Burma, Colombia, Costa Rica, Denmark, Ecuador, El Salvador, Guatemala, Honduras, Iceland, Mexico, Nicaragua, Norway, Paraguay, Peru, Philippines, Spain, Uruguay, Vatican City, Venezuela, Virgin Islands.

FRIDAY 28

Offers for Thomson-CSF

Bidders for Thomson-CSF, the French defence electronics giant, must deliver preliminary offers to the ministry of economy and finance by noon. The process is expected to pit Alcatel Alsthom, the telecoms and engineering group, against the Lagardere conglomerate. Alcatel has confirmed it will make a joint offer with an arm of Dassault, the aircraft maker. The deadline for firm bids is May 7.

India/Pakistan talks

India and Pakistan, which have fought three wars since independence, embark on a series of meetings to improve relations. The Delhi talks between the countries' senior foreign office bureaucrats are the first in three frosty years. Relations have been dogged by the 50-year-old dispute over the Indian state of Jammu and Kashmir. The talks' occurrence alone is a positive step, following conciliatory signals - particularly since the election of Nawaz Sharif as Pakistan's prime minister.

Crucifixions in Manila

Good Friday is a distinctly painful occasion in the Philippine archipelago. The more devout, or superstitious, of the country's Catholic population have themselves nailed up in a bloody re-enactment of the crucifixion. Others on the ground indulge in ritualistic self-flagellation to atone for their sins. The Philippines' Catholic church neither endorses nor forbids the tradition but it remains a huge favourite with the crowds of spectators, especially in San Fernando, Manila, Rizal and Jordan.

FT Survey

Direct Selling of Financial Services (UK only).

Public holidays

(Good Friday) Andorra, Angola, Argentina, Aruba, Australia, Bahamas, Barbados, Belize, Bermuda, Bolivia, Botswana, Brazil, British Virgin Islands, Cameroon, Cayman Islands, Chile, Colombia, Cook Islands, Costa Rica, Denmark, Dominica, Ecuador, El Salvador, Equatorial Guinea, Estonia, Fiji, Finland, French Guiana, French

West Indies, Gambia, Germany, Ghana, Gibraltar, Grenada, Guam, Guatemala, Guyana, Haiti, Honduras, Hong Kong, Iceland, Indonesia, Ireland, Jamaica, Kenya, Kiribati, Latvia, Lebanon, Lesotho, Liberia, Liechtenstein, Macao, Madagascar, Malawi, Malta, Mexico, Montserrat, Namibia, Nauru, Netherlands, Netherlands Antilles, New Zealand, Nicaragua, Niue, Norway, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Puerto Rico, Seychelles, Sierra Leone, Singapore, Slovakia, Solomon Islands, South Africa, Spain, Sri Lanka, St Kitts-Nevis, St Lucia, St Pierre, St Vincent, Suriname, Swaziland, Switzerland, Tahiti, Tanzania, Tonga, Trinidad, Turks and Caicos Islands, Uganda, UK, US (many states), Uruguay, Vanuatu, Vatican City, Venezuela, Virgin Islands, Western Samoa, Zambia, Zimbabwe.

SATURDAY 29

Summer time in UK

Clocks go forward one hour at midnight, marking the start of British summer time.

Soccer

Nine World Cup European qualifying matches, including Scotland v Estonia, Wales v Belgium, Northern Ireland v Portugal, international friendly: England v Mexico.

Rowing



The world's most famous boat race between Oxford and Cambridge universities takes place on the river Thames between Putney and Mortlake, Cambridge, having won the last three, start as favourites.

Public holidays

Botswana, Brazil, Chile, Fiji, France, Guatemala, Hong Kong, Panama, Papan New Guinea, Solomon Islands, Spain, Suriname, Taiwan, Vatican City, Western Samoa, Zambia, Zimbabwe.

SUNDAY 30

Japanese coal mine closes

Mitsui Coal Mining is to close the Milke mine in Fukuoka, Japan's oldest and largest coal mine, after 120 years. This will leave just two coal mines working in Japan - the Ikeshima mine in Nagasaki and the Kushiro mine on the island of Hokkaido. The Milke mine was forced to cut coal output following high imports of cheap coal and the shift to oil as an energy source.

Motor racing

Brazilian grand prix, Interlagos.

Compiled by Simon Strong.
Fax: (+44) (0)171 573 3194.

Other economic news

Monday: The recovery in the French economy is unlikely to have made much impact on French unemployment during February. The market is forecasting a rate of 12.7 per cent, the same as December and January.

Tuesday: The continued strength in the US economy will be reflected by strong consumer confidence data. Both the Conference Board and University of Michigan indices are forecast to be near recent highs.

Wednesday: The UK's visible trade gap is expected to have narrowed from £845m in December to about £700m in January because of a lower deficit with non-EU countries. The trade deficit is expected to worsen later in the year.

Thursday: Production cuts at Toyota are one of the reasons behind the forecast for a 3.3 per cent month-on-month fall in Japanese industrial production during February, after a 5.6 per cent increase in January.

Friday: New home sales in the US are expected to have remained at a robust level of over 800,000 in March after 870,000 in February, a result of strong housing activity.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Jan coincident index	90%	90%	Mon	Japan	Feb BoJ corporate services prices		-0.1%
Mar 24	Japan	Jan leading differential index	44.4%	70%	Fri	Japan	Mar consumer price index, Tokyo	0.1%	0.1%
	UK	Q4 gross domestic product, final**	0.8%	0.8%	Mar 28	Japan	Mar consumer price index, ex-perishables**	0.1%	0.1%
	UK	Q4 gross domestic product, final**	2.7%	2.7%		Japan	Feb consumer price index, nation**	0.7%	0.6%
	UK	Q4 current account	-£175m	-£71m		Japan	Feb consumer price index, ex-perishables**	0.4%	0.5%
Tues	Japan	Feb supermarket sales**		0.8%		Japan	Feb unemployment rate	3.2%	3.3%
Mar 25	Japan	Feb department store sales**		0.5%		Japan	Feb job offers/seekers ratio	0.77	0.78
	US	Feb existing home sales	4m	3.94m		Japan	Feb industrial production	-3.3%	5.6%
	US	Mar consumer confidence	118.3	118.4		Japan	Feb shipments		6.4%
	US	Redbook (Mar 22)		0.8%		France	Mar Insee industrial survey	8	6
	Japan	Mar trade balance (1st 10 days), notf		¥367bn		France	Feb unemployment rate	12.7%	12.7%
	France	Feb consumer price index, final**	1.8%	1.6%		France	Feb jobseekers*	0.1%	0.6%
Wed	Italy	Jan quarterly unemployment	12.1%	12.2%		US	Q4 gross domestic product, final	4%	3.9%
Mar 26	UK	Jan global visible trade	-£710m	-£845m		US	Q4 gross domestic product, deflator final	1.8%	1.8%
	UK	Feb ex-EC visible trade	-£565m	-£388m		US	Q4 after tax corporate profit	2.2%	-1.4%
	US	Feb durable orders	-0.5%	3.8%		US	Feb new homes sales	820,000	870,000
Thurs	Japan	Feb retail sales**	-1.8%	-0.8%		US	Mar Michigan sentiment, final	101.9	101.9
Mar 27	US	Initial claims (Mar 22)	313,000	312,000					
	US	State benefits (Mar 15)		2,328m					
	US	Mar agriculture prices		-2.8%					
	US	M1 (week ended Mar 17)	-\$0.5bn	-\$3bn					
	US	M2 (week ended Mar 17)	\$4.5bn	\$4.4bn					
	US	M3 (week ended Mar 17)	\$4bn	\$7.7bn					
	Japan	Mar wholesale price index (2nd 10 days)	-0.1%						
	Japan	Feb BoJ Corp services prices**	-0.7%						

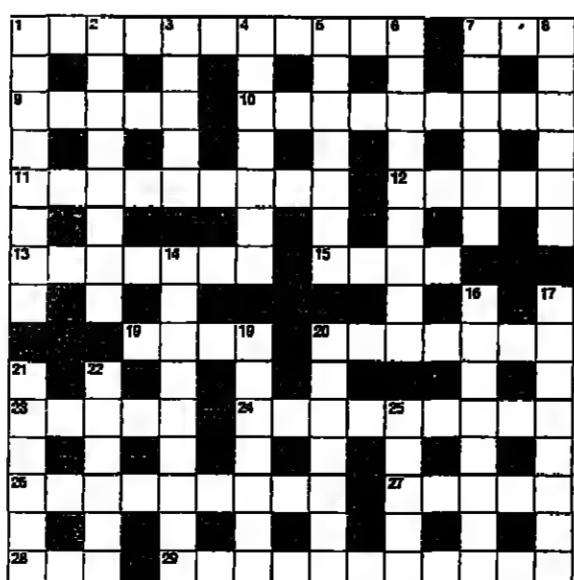
*month on month, **year on year, *quarter on quarter, **base/adj. Statistics courtesy MMS International.

ACROSS

- Note of scale to strike nations dumb (11)
- Bundle of notes women notice (3)
- Name, formerly, for the present time (5)
- Well, quivering all over in appropriate style (9)
- If about to restore hearth (9)
- Theatre-in-the-round (5)
- Loss of power from cuts in energy, twice (7)
- Wrestling with amount of money, and nothing more? (4)
- Separate cream with piece of whisk implement (4)
- Set of things awaiting delivery? (7)
- Clubs not yielding to society (5)
- Number of events of which 21 is one (9)
- Pink in motor-race (9)
- Dish of cooked tripe (5)
- Spotted gnome (3)
- This native speaker needs money to ring and put through a call (11)

DOWN

- Jumper not wanted on beach? (4-4)
- 7 across making stock stagger (8)
- Potter in advantageous position (3-2)
- Burning light can intensify (7)
- She plays with little resolution in new production of Cats (7)
- Gaunt, toothless what's-his-name (9)
- West Indian openers sadly gone for a duck (8)
- Poet in dull study (6)
- Fish with rod or spear-handle (9)
- Weapon suiting T.S. Eliot to a T? (9)
- Average life for the moment (8)
- Island of cake and wine (7)
- State returning broken coin with very few words (7)
- Endlessly talk about competition of 24 (6)
- Writer to ignore Polonius' advice? (6)
- Gratuity increased for such a seat? (3-2)



WINNERS 9,820: P. Conyers-Silverthorn, Broadstairs, Kent; C. Bruce, Dunblane, Perthshire; R. Danson, Luton; L. Vaughan, Ashton-under-Lyne, Lancashire.

MONDAY PRIZE CROSSWORD

No.9,332 Set by DINMUTZ

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of \$40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday April 3, marked Monday Crossword 9,332 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 7. Please allow 28 days for delivery of prizes.

Name.....
Address.....

Solution 9,320



FINE WINES AND EATING

MORSE

Today, big companies build big applications on Windows NT.

ORACLE

MorseNT is the leading integrator of Windows NT applications.

Morse has helped many companies to move their data and applications to NT.

We can build complete Oracle enterprise solutions based on Compaq ProLiant systems. And we can integrate these with secure, high performance storage and back-up solutions.

We'll gladly demonstrate this to you in our Applications Centre, or arrange for a consultant to visit you. Please call us.



MorseNT

0800 22 88 88

JOTTER PAD

"Prepare 'reserves', then act as though you have no reserve at all. This is the secret of a stable business."

KYOCERA, world leader in high-tech ceramics.
Fax 03 45 21 31 12 95 40

Any day now Parisians could be in for a shock. All it will take is for a bit of an anticyclone to descend on the city, giving it a couple of nice days of sunshine and stillness for traffic fumes to build up, and - hey presto - at 5pm one afternoon the authorities will decree that half the city's cars will have to stay off the road the following day. Exactly which half will depend on the car's licence plate and the date: even-numbered cars can be used on even-numbered days, odd-numbered vehicles the rest of the time.

Government agreement to this contingency plan, under France's clean air act, has taken almost everyone by surprise, not least Corinne Lepage, the environment minister. Lepage, the only non-party member of the Juppé government, has lost a series of cabinet battles, most recently over the issue of restarting the Superphénix nuclear reactor on which she threatened to resign. Anxious

Paris turns to Nanny for fresh air

DATELINE

Paris: an anti-pollution plan for the French capital awaits the first few days of sunshine and stillness, writes David Buchan

the world as well as an extensive suburban railway. "I don't see why I should lose half my clientele," my local garage grumbled this week.

Yet Paris is beginning to choke a bit. Some 3m cars flow in and

out of the city every day, pervasively tempted in by the policy of Jacques Chirac, during his 17 years as mayor, of building a minimum of 5,000 new underground parking places every year. Cars now lurk underneath virtually all its squares and wider boulevards, including the Champs Elysées. Peugeot and Renault also make a higher share of diesel engines, which consume less fuel but spew out relatively more pollutants, than their competitors.

However, many Parisians have some kind of rural bolt-hole or country cousins to give them a breath of fresh air in the wide open spaces of the French countryside. The latter remains pretty impervious to the environmental movement, even though farmers in certain areas, like pig producers in Brittany, are now proving

to be serious polluters. In other areas, such as the south-west, the huntin', shootin', fishin' lobby has formed a quasi-political party (Chasse, Pêche, Nature et Tradition) to counter Green attempts to keep them from their animal prey.

A genuine environmental movement now exists in French cities, many of which have taken intelligent steps to provide unpolluting public transport. Lyons has its own underground metro, while Lille, Strasbourg, Grenoble have reintroduced trams, and Bordeaux - where Juppé is mayor - plans to follow. But there is a tendency, as elsewhere in French life, for people to leave it to the state or public authority to act.

Take the city of Paris and its enormous squad of green-painted trucks and green-clad men. To

avoid blocking narrow streets in the daytime, every night of the year, including Christmas Eve, the garbage trucks come round. Another set of men come round with water trucks and spray (even when it is raining) the pavements (and also your car, if you ask them nicely). A third set of specialists pass by on their "crotinettes" - motorcycles with a boomer on the front which sucks up dog turds into a tank on the back. A fourth group, sweepers with green brooms, takes care of the rest.

But as a result of this superb civic service, paid out of high taxes, many Parisians have a rather Latin insouciance about what they, and their dogs, put in the streets.

Private environmental standards are often lower, partly out of the French tendency to open

their purses less to each other than to their money-gobbling state or city. I have, for instance, had a long, and fruitless, guerrilla war with my landlord about our apartment block's coal furnace that gives off sulphur fumes that remind me of the UK 40 years ago.

Local government, too, is still often the "Nanny-state" writ small. Running alongside a small park outside our apartment is a big old wall, which last year had a dramatic face-lift dictated by "Nanny", in this case the elegant, well-coiffed mayor of the 7th arrondissement.

"Nanny" called a local meeting to explain her plan. My wife and I went along. It was lively session, with plenty of opponents, like ourselves, of the change, but made completely moot by the fact that it eventually transpired the wall painting contract had already been signed. In the end, we were wrong. The wall mural of pastel tree outlines is superb. Nanny did know best.

The Monday Profile: Gerhard Randa, Bank Austria

Biker turned banker

When Gerhard Randa, chief executive of Bank Austria, looks into his mirror what does he see? Is it a leather-clad, trail-blasting Harley-Davidson biker who couldn't care less about upsetting the locals as he races from one big deal to the next? Or does he see a pillar of the Austrian establishment who is leading the fight to modernise Austria's economy?

Despite his fondness for large motorbikes and jazz, Randa, 52, appears at first sight more cut out to be a member of Austria's tight-knit business and political establishment than a business tearaway. He heads Austria's biggest bank which has just taken over Creditanstalt, the country's second biggest bank. He is chairman of the Vienna stock exchange, sits on the boards of several of Austria's biggest companies, and, as a member of Austria's ruling social democratic party, has no difficulty getting the ear of Austria's leaders.

Randa's Bank Austria, even after the Creditanstalt acquisition, may be only a blip on the European banking scene, but in Austria Randa is without doubt the country's most important banker, and probably its most powerful businessman.

Heimo Hackel, Randa's long-time spokesman, despairs at the popular portrait of his boss as "Rambo Randa", who got to the top of Austrian banking by trampling on the opposition in one swift deal after another. According to Hackel, his leader is a "very friendly and warm person" who is nowhere near as tough as his enemies portray. True, he once took off on a motorbike holiday across the US West, but as far as Hackel knows, Randa no longer owns his own chopper.

Nevertheless, Randa is a bit of a maverick - and a lucky one. He spent the first 20 years of his career with the Zentralsparkasse, a savings bank set up by the City of Vienna, which still lies at the heart of Bank Austria. Nine years ago he was made deputy



chairman of Creditanstalt, then the country's biggest bank, and stood a good chance of eventually taking over as chairman.

However, Randa has always been a man in a hurry and in 1990 he was offered the top job at Österreichische Länderbank, the country's fourth biggest bank. Within a year he had organised the 1991 merger with his old bank, Zentralsparkasse, creating Bank Austria.

Randa was given the job of deputy chief executive and sorting out a merger which he now admits involved "some very bloody years". Bank Austria had to cut its dividend and, although

the merger is now seen as a success, it has not been reflected in return on equity. Bank Austria's shares are still lower than at the time of the merger.

By 1994, Randa was on the warpath again, helping to organise a bid for Girocredit, Austria's third biggest bank, with the help of AVZ, a City of Vienna foundation which is Bank Austria's biggest shareholder. However, Bank Austria got into a fight with First Austrian, Austria's oldest savings bank, and failed to win complete control. It was left with a large minority shareholder and an independent Girocredit management which rebuffed Randa's

efforts to rationalise.

As Randa has been Bank Austria's chief executive for less than two years, it was assumed that he was far too busy to contemplate yet another massive merger. Hence, the swiftness of Bank Austria's acquisition of Creditanstalt, Austria's proudest banking symbol, has caused both surprise and unease.

Is it the final act of a power hungry banker? Or one of the shrewdest deals in recent European banking history? Everyone agrees that Austria has too many banks and profits will only recover from a reduction of banking capacity. Robert Law, of Lehman Brothers in London, thinks Bank Austria stands a better chance than most of reaping financial benefit from the acquisition. He is impressed by Randa's promise to double earnings per share over the next five years. Nor is he overly worried by Bank Austria's commitment to maintain Creditanstalt as a separate entity for at least five years and agreement to no compulsory redundancies.

While everyone accepts that Randa is a shrewd deal-maker, there is less agreement about his managerial skills. There has been a high turnover in the Bank Austria boardroom and when a couple of board members were forced to resign last year after a botched attempt to stop a competitor offering above-market yields to competitors, they were promptly re-employed within the group. It was hardly a reassuring sign that Bank Austria has the management in depth to rise to the challenge of turning an unfriendly takeover into a friendly merger. Randa's most important job during the next few months will be to convince the international investment community, which is going to have to digest a lot of Bank Austria paper, that Austria's biggest bank is not just a one-man show. It could turn out to be one of his toughest challenges.

William Hall

FT GUIDE TO:

THE STATE OF GERMANY

Angry workers protest against a possible hostile takeover of steel giant Thyssen. Coal miners blockade Bonn and win extra government subsidies. And there is a possibility of not satisfying the Maastricht criteria for membership of Europe's planned single currency bloc. Is Germany falling apart?

The economy is no longer a wonder. Germany is undergoing a painful restructuring, forced by international competition. Unemployment has reached 4.7m. And many features of the German model are being challenged - generous social provision, joint decision-making between workers and management, and refusal to allow shareholders' interests to dominate.

Pressure is becoming more acute because of the possible difficulty in meeting the Maastricht criteria for the public deficit and debt - two of the criteria which will determine membership of the EU's single-currency bloc.

In the past weeks this pressure has been vented in protests. And the government, with no desire to fuel conflict, has buckled. But Germany remains a powerful European economic motor. Its GDP last year was twice that of the UK. GDP per capita is on a par with the US. And modest economic growth of 2.2% per cent is expected this year - hardly the sign of economic failure.

Will there be riots on the street? Don't be misled by John le Carré's *A Small Town in Germany*. Protests may be ill-tempered but at the end of the day, everyone goes home to bed; miners in Bonn even cleared up their rubbish afterwards. The debate is about middle-class standards, job security and welfare provision. There is no disaffected youth movement; unemployment among the young is less than half the EU average, thanks to Germany's still-strong training system.

But something has gone wrong. Has Chancellor Helmut Kohl lost his grip?

Perhaps. Certainly Kohl has a lot on his plate. In addition to domestic economic difficulties, the chancellor has linked his political future to the success of the new euro currency. He believes further European integration is vital to ensure peace across the continent. But if Germany itself cannot meet the criteria for adoption of the single currency, the project may have to be delayed. Meanwhile, the importance to Germany of the possible eastward expansion of Nato should not be underestimated. Less than seven years ago, Germany was two countries; 50 years ago it was in ruins. A new defence pact (or otherwise) will determine its place in the post-cold war era.

What is Kohl doing about it all? Not a lot. A charitable explanation is that the chancellor plays a long game - less kind, that he is fiddling. The coal dispute was resolved by reducing massive subsidies at a slower rate than

previously agreed. But the Bonn coalition faces stalemate in talks with the opposition Social Democratic Party (SPD) about tax cuts intended to boost the economy. Reform of Germany's expensive pay-as-you-go pension scheme is some way off. Other decisions, such as that on the Eurofighter aircraft, are delayed. On unemployment, Kohl has set the goal of halving the total by 2000, but says everyone has to take responsibility.

So traditional German consensus-seeking politics are alive and well?

Yes, but - again being charitable - that is because of circumstances. The SPD controls the Bundestag, the second chamber of parliament, where many important decisions have to be approved. And consensus is embedded in the German mentality. Opinion poll support for the Free Democratic Party - the nearest Germany gets to US/UK-style free market economics - runs at only 5 per cent.

But politicians are being overtaken by events. Take last week's hostile takeover bid by Krupp, the steel and engineering group, for Thyssen. Steel faces stiff foreign competition; arguments for consolidation are overwhelming. And after many years of trying, Krupp saw no chance of a friendly approach succeeding. Its hostile approach, backed by some of the biggest names in German banking, forced negotiations about a joint steel venture which conclude on Thursday.

If there is so much fuss about one takeover bid in the steel sector, what chance is there of Germany's broader problems being solved? Cue much German angst. Perhaps European monetary union will be postponed this summer and industrial strife intensify. But Kohl has been written off before, only to make a comeback. There is nothing like a crisis to concentrate minds. There remains much fat in public spending which could yet be trimmed to ensure the Maastricht criteria are met. And a weaker currency during the past year should stimulate the economy. Nevertheless, Kohl has not yet said whether he will contest the federal elections due late next year. Maybe he is leaving open the option of stepping down after the EU summit in Amsterdam in June.

What of Germany in the 21st century? Necessary restructuring is clearly being avoided. A long-term decline relative to other countries could be underway. But economists will argue for decades about when the turning point is, and how long-term the decline.

Should I bet on Germany not joining the single currency bloc as planned in January 1999? Perhaps worth a speculative punt, but don't stake Grandma.

Ralph Atkins

Robert Chote . Economics Notebook

Euro may unseat the dollar

The sheer size of Europe's economy will bolster its putative currency



The US dollar has been the world's top currency for more than 60 years, having supplanted sterling as lynchpin of the international monetary system between the wars. Europe's putative single currency poses the first serious threat to its hegemony.

The euro's status as an international currency will depend on the willingness of public and private sectors around the world to use it as a store of value, medium of exchange and unit of account. That in turn will depend on several factors, of which the size and strength of its domestic economy will be among the most important.

In this respect, the euro clearly poses a threat to the dollar. Europe's economy is bigger than America's, with output of goods and services in 1996 totalling \$8.4tr in the EU compared with \$7.5tr in the US. At \$1.9tr Europe's external trade (exports plus imports) also outstripped the US total of \$1.7tr. Even a modest monetary union comprising only Germany, France, Austria and the Benelux nations would create an economy two-thirds the size of the US and carrying out more global trade.

As well as drawing attention to Europe's size advantage, Fred Bergsten, director of the Institute for International Economics, argued at an IMF symposium last week that "the structural features of united Europe are likely to produce a euro that will ultimately challenge the dollar as the world's key currency". Bergsten noted that Europe had run modest current account

surpluses in recent years, while the US had built up a \$1tr external debt following 15 successive years of current account deficits. He also predicted that the independent European central bank was likely to deliver the economic stability which financial markets crave. Both factors should make the euro attractive.

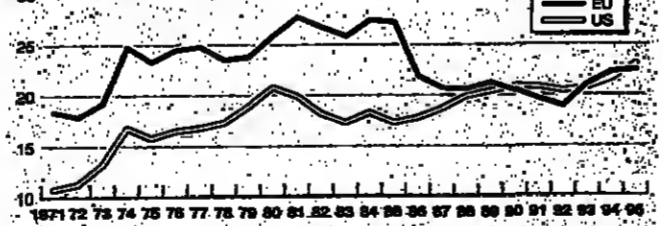
In the dollar's favour remain the breadth, depth and liquidity of US capital markets. The dollar will also benefit from incumbency and inertia, which allowed sterling to maintain its international role long after Britain's economy had suffered relative decline. Bergsten saw no clear winner in the short term: "A bipolar currency regime, with Japan as an important, but less significant, player, will replace the dollar-dominated system that has prevailed for over half a century". That prospect raises an important question: will the euro perform strongly or weakly on the foreign exchanges relative to its main international rivals?

In the short term, this will depend in part on the degree to which private sector investors and central banks opt to switch assets denominated in other currencies into euros. Bergsten estimates that this portfolio shift, largely out of dollars, will total between \$500bn and \$1tr, with private reallocations accounting for by far the larger share.

By way of comparison, Japanese investors shifted \$330bn from domestic into foreign assets between 1989 and 1995, during which time the dollar rose 25 per cent against the yen and 75 per

The Euro-area: America's potential rival

Economic openness ratios, %



Share of World output and trade, % (1995)

	US	EU	Core EU	Germany	Japan
Output	28.6	31.2	25.8	7.0	23.4
Trade	16.3	20.4	18.9	12.8	16.3

Source: IMF, OECD

cent against all G10 currencies.

An increased demand for assets denominated in euros will certainly put upward pressure on its exchange rate, but by how much is not clear. Michael Mussa, chief economist at the IMF, told the symposium that shifts in interest-bearing assets were more likely to reduce the euro interest rate rather than push up its exchange rate. And William White, of the Bank for International Settlements, argued that the increased desire for euro-denominated assets would be met by a greater supply as more institutions chose to borrow in euros. The net effect on the exchange rate would therefore be ambiguous.

The euro-area, like the US, will be a relatively closed economy with external trade accounting for a much smaller proportion of national output than it does for most individual European econo-

mies. Nonetheless changes in the euro exchange rate will still have important economic effects.

Professor George Alogoskoufis, of the Athens School of Economics, told the symposium that portfolio shifts might well push the euro higher against the dollar, overshooting the level justified by economic fundamentals. Initially this would improve the EU's current account position (by making imports cheaper) and push up real interest rates. But the euro would then weaken as the trade position worsened and real interest rates fell.

In the longer term, the euro's performance on the foreign exchanges will depend in large part on the interest rate policy pursued by the European central bank and the budgetary policies pursued by the governments within the euro-zone.

Paul Masson, of the IMF, predicted that monetary union

would eventually help stabilise key economic variables within the euro-area, but he added that the European central bank would at first have great difficulty using these indicators as a guide to policy. The ECB will need practice before it can interpret euro-area statistics and judge how the economy will respond to policy changes.

Masson concluded that the central bank's proposed inflation and money supply targets might therefore be difficult to apply. "A more discretionary policy, in which the exchange value of the euro, among other indicators, is given a certain amount of attention, may instead emerge," he said. Paul Jenkins, of the Bank of Canada, predicted that a 5-6 per cent change in the euro's exchange rate would have the same impact on a small single currency area as a one point change in interest rates.

But many economists dispute the usefulness of such rules. Several participants in the symposium also warned that the euro would be more volatile relative to the dollar than existing European currencies. That would make exchange rate movements even more difficult to interpret.

The ECB will begin its life making policy in the dark. With no track record and everything to prove, the greatest danger is that it will err too much on the side of caution and keep interest rates too high. If governments respond by relaxing budgetary policy, then the euro may indeed begin its life as a strong currency - but to the detriment of the health of Europe's economy.

Prices for electricity delivered to the consumer of the electricity generating and distribution companies in England and Wales. Excludes VAT at 5%.

Period	Unit	Price
12 hour	kWh	11.85
24 hour	kWh	11.85
36 hour	kWh	11.85
48 hour	kWh	11.85
60 hour	kWh	11.85
72 hour	kWh	11.85
84 hour	kWh	11.85
96 hour	kWh	11.85
108 hour	kWh	11.85
120 hour	kWh	11.85
132 hour	kWh	11.85
144 hour	kWh	11.85
156 hour	kWh	11.85
168 hour	kWh	11.85
180 hour	kWh	11.85
192 hour	kWh	11.85
204 hour	kWh	11.85
216 hour	kWh	11.85
228 hour	kWh	11.85
240 hour	kWh	11.85

Prices for electricity delivered to the consumer of the electricity generating and distribution companies in England and Wales. Excludes VAT at 5%.

Period	Unit	Price
12 hour	kWh	11.85
24 hour	kWh	11.85
36 hour	kWh	11.85
48 hour	kWh	11.85
60 hour	kWh	11.85
72 hour	kWh	11.85
84 hour	kWh	11.85
96 hour	kWh	11.85
108 hour	kWh	11.85
120 hour	kWh	11.85
132 hour	kWh	11.85
144 hour	kWh	11.85
156 hour	kWh	11.85
168 hour	kWh	11.85
180 hour	kWh	11.85
192 hour	kWh	11.85
204 hour	kWh	11.85
216 hour	kWh	11.85
228 hour	kWh	11.85
240 hour	kWh	11.85

MARKETING / ADVERTISING / MEDIA

Winston Fletcher • Commentary

Clients and agencies: long-lasting affairs

The recently published 1996 UK advertising agency league table, in which the two-year-old M&C Saatchi agency leapt into the No 8 spot, with billings of £175m, was held by observers to be further proof that the advertising game is highly volatile, and that clients shift from agency to agency at the drop of a story-board. Codswool.

Compared to many others, the advertising agency business is almost boringly stable. J. Walter Thompson has been in existence – and one of the business's leaders – for well over a century: far longer than most of its clients. During its long life it has naturally passed through several generations of management, different in every country in which it operates, and through several forms of ownership. The same is true of more than half the other top 20 British agencies, a dozen of which are members of agency groups more than half a century old.

Nor are clients nearly as fickle as many believe. On average, clients stay with their agencies for seven years. Experienced advertisers tend to stay much longer. During the Maurice Saatchi shindig, nobody mentioned that Procter and Gamble was with Saatchi and Saatchi long before Maurice and his art-loving brother Charles were even twinkles in Margaret Thatcher's eye. The P&G account was with Compton, which the Saatchi brothers bought in 1982, and it hasn't moved yet.

Indeed, far from reflecting volatility, the Maurice Saatchi saga could just as easily be adduced as proof of the agency game's almost rocklike stability. After all, Maurice and Charles Saatchi were not just employees. They were the founders of the original agency. When they quit, in high dudgeon, they took with them more than 30 staff, including the agency chairman and deputy chairman, the creative directors, the joint managing directors, and just about all the other senior management.

That is a massive blood-letting in a personal service busi-

nass. Yet fewer than half-a-dozen accounts followed them, representing about 6 per cent of their ex-agency's billings. Some of those accounts are big, and Maurice's new agency is undeniably doing well. But his former agency remains one of the biggest in the UK.

Why, even in times of turbulence, do clients like P&G stay loyal to their agencies? J. Walter Thompson has held on to several of its biggest UK clients, including Rowntree and Unilever, for well over six decades. Though they constantly experiment with marketing suppliers – sales promotion companies, direct marketing agencies, market research companies and the rest – clients have long-lasting relationships with their advertising agencies.

What differentiates agencies from the others in this matter of client promiscuity? Manifestly, clients are not loyal to their agencies out of indecision or inertia. (P&G indolent? Inert?) They are loyal because they believe it to be to their advantage to stay with their agencies. Changing agencies is time consuming, wasteful and risky. Clients are rightly wary about switching important contracts around. And advertising – despite the endless debate about the growth of new media – is still where the big money is. Last year over £11bn was spent in Britain above the line, accounting for around 75 per cent of all marketing communications expenditure. Size matters. It is one thing to risk £10,000, or even £100,000, on an untried supplier. It is quite another to risk £1m or more.

Not everyone has always known that. Almost 80 years ago, two smartpans entrepreneurs, John Bloom and Cyril Lord, decided that long-lasting agency relationships were rubbish. So neither appointed agencies, although both were spending small fortunes on advertising. John was in washing machines, Cyril in carpets. Determined to break every

mould they could lay their paws on they both (independently) instituted regular monthly tournaments in which any agency that fancied its chances could enter campaign ideas.

Bloom and Lord would then peruse all the campaigns submitted and pick those that appealed. Agencies which struck lucky made a fast buck that month; the others lost their bets. Then Bloom and Lord both went bust, taking several of the agencies that had played their Russian roulette game with them.

Since the 1960s no other advertiser has attempted, as far as I know, to emulate the Bloom/Lord system, although some of the partwork publishers have come close. A tiny number of flaky, fly-by-night clients switch agencies whenever they get bored, which is all too often. They are well known in the advertising village, and only desperate agencies accept their business.

Wise advertisers know that communicating their brands' benefits in above-the-line advertising is difficult, and mistakes may cost them dear – far more in lost sales and profitability than the cost of the advertising alone. A lousy (or inappropriate) campaign can do immense long-term damage to a brand. It's happened. For a new agency to get under the skin of a brand, to really understand its personality, takes quite a while. And for a client and agency to learn to work together efficiently and productively can take quite a while, too.

Long-lasting relationships, however, inevitably breed complacency. Agencies, like spouses, all too easily start to take their other halves for granted. People who have been working together for too long and have grown too close can become casual and sloppy. At that point the client must read the agency the riot act. It is far better for a client to kick the agency into pulling up its socks than to give it the boot. If the agency still fails to respond – well, nothing, but nothing, is for ever.



Schindler's List and Coronation Street have been sponsored by Ford and Cadbury respectively

UK sponsors look to US

British TV may soon resemble that of America, says Alison Smith

British television viewers should now be able to watch a home improvement programme sponsored by a DIY chain, but should not – on terrestrial channels – be able to watch a programme on fishing sponsored by a specialist magazine.

This judgment by the Independent Television Commission, a broadcasting watchdog, comes in its revised rules for TV sponsorship which should be published in the next few days.

Its refusal to allow "mainstream programming" on ITV and Channel 4 comes in the face of strong pressure from potential sponsors. The watchdog says that since about three-quarters of UK households receive only the terrestrial channels and that the channels are likely to feature only one specialist programme in any subject, relaxing the rules would come too close to giving a particular magazine a virtual monopoly of TV coverage in its specialty.

Overall, however, the revised rules give potential sponsors more flexibility, and are likely to contribute to the growth of TV sponsorship that has occurred in recent months.

Last September, for example, saw the start of the largest sponsorship to date, as Cadbury began a relationship with Coronation Street, that doyenne of UK soap operas, introducing chocolate characters – including a postman – at the start and end

each episode. Cadbury was attracted to the idea because it felt that it held broadly the same place in the UK's affections as the programme. "The best sponsorships are those where there is an equivalence of stature between the two partners," says Richard Frost, Cadbury's head of public relations. "If, for example, Michael Jackson were to be sponsored by Fisherman's Friend, then it probably wouldn't work."

The deal is likely to cost Cadbury nearly £10m for a year, taking account both of on-air fees and supporting promotional activity, but it already appears to have benefited the company. An analysis by Janine Cannon of Millward Brown International and Ivor Millman, chairman of the ITV sponsorship committee, which was presented to a Market Research Society conference last week, found that not only the chocolate but the company was regarded more positively by people aware of the sponsorship, than by those who were not. They gave Cadbury higher ratings for being up-to-date and a supporter of local community.

But there are limitations. Although sponsorship airtime is generally slightly cheaper than spot advertising, it does involve spending large amounts while being able to say less about the product. And it cannot replace spot advertising entirely. "Unless you continue to run other advertis-

ing, you are reaching only a certain number of people," points out Ian Lewis, broadcast director at Zenith Media, the UK's largest media buying agency. "There are some people who will never watch Coronation Street."

Moreover, some programmes yield few additional marketing opportunities. For example, it is hard to imagine that Doritos, the snack brand that sponsors films on ITV, will be able to round up the cast of the season's blockbuster to take part in promotional activities.

Even so, there seems a consensus that in time UK television sponsorship will grow and become more like sponsorship in the US, the home of the phrase "This programme is brought to you by..."

If potential UK sponsors are looking across the Atlantic, they will find vivid recent examples of the risks sponsors run. Last spring, Taco Bell, the Mexican food company, was one of three title sponsors for the *Dana Carvey Show*, a prime time comedy. It won a sizeable audience, but was too controversial for the company, which withdrew after the first episode.

Taco Bell says bravely that this has not put it off sponsoring comedy in the future, because this represents one way of reflecting the values of "fun and energy" which the company embodies. "You have to be bold to break

through," it says. A risk paid off, however, for Ford, the motor company, which last month sponsored a network showing of Steven Spielberg's film *Schindler's List*. Ford did not run advertisements in the film, but simply had a small logo on screen during an intermission.

Some potential sponsors had decided that the subject of the Holocaust and the violence and nudity in the film made sponsorship too difficult.

Jim Schroer, executive director of worldwide marketing at Ford, says the opportunity was too good to miss. "Sponsorship of this special and unique experience was a big step in telling our customers and our own people that the company has the right values," he says.

He agrees that some people did respond negatively, but says they were far outweighed by the positive reaction. "You have to take an appropriate risk."

In an environment where the onscreen clutter makes it increasingly hard to distinguish programme from promotion, the *Schindler's List* sponsorship also provided a way for Ford to set itself apart from other advertisers.

As the UK moves, albeit gradually, towards a more relaxed regime for TV sponsorship, British advertisers, too, will have to seek new ways to stand out from their competitors. A chocolate postman may then no longer be enough.

CONFERENCES & EXHIBITIONS

6th Annual Conference on International Securities Lending

Co-sponsored by ISLA (U.K.) and Robert Morris Associates (USA), this is the only joint U.S./European Securities Lending Conference recognized by the industry. Issues discussed and updates from leading associations worldwide influence lending markets in Europe and around the world. Keynote address will be given by Robert E. Diamond, Jr., Chief Executive - Global Markets, BZW.

Contact Robert Morris Associates, ask for the "SL Promotion" Tel: 800-877-7621 Fax: 212-445-4100 Cavalier Hilton, Rome, Italy

MAY 9 The Learning Organisation

Find out what makes a learning organisation and how to achieve it. Focusing on establishing a learning culture, developing a learning culture, tools and techniques; encouraging individuals to take responsibility for their learning. Speakers from: Anglin Waters, Ciba, Chrysler, Douglas, Nature, Madsen, British Aerospace Dynamics, and United Response. Contact: Susan Morgan at The Industrial Society. Tel: 0171 839 4380 Fax: 0171 839 3898

MAY 14-15 International Trade Courses

An intensive, practical 10 day executive programme led by experts in all aspects of international trade, documentation, marketing, information, risk management, insurance and transport. Structured visits, on site discussions and networking feature strongly. Contributors include Martin Brooks, MD of FT Information, Noriko Harma of Mitsubishi, Tim Fitzpatrick of HSBC International Trade, GIVE Furness of LIFFE, Vicky Pryce of KPMG and Peter Toddall, former Chairman of the Baltic Exchange. Contact: Maree Lee, MD, London School of International Trade, 23 Hamlet Court, High Holborn, London WC1N 6GF. Tel: 44 (0)171 357 8448 Fax: 44 (0)171 376 7147

MAY 14-15 FT Zambia Investment Opportunities Conference

Speakers confirmed at this event, in association with the Zambia Privatization Agency include: The Hon Frederick T. Chiluba President of the Republic of Zambia; The Hon Ronald O S Pema MP Minister of Finance and Economic Development; The Hon Rolif Linder, Former Minister of Economy and Finance; Chile. Enquiries: FT Conferences Tel: +44 (0) 171 896 2639 Fax: +44 (0) 171 896 2692/2697

MAY 14-15 Sharing Best Practices through Knowledge Transfer

This two day conference highlights the methods and frameworks for identifying and managing knowledge to support the implementation of best practices throughout your organisation. Contact: Mick Gwynne, Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122 E-mail: mick.gwynne@business-intelligence.co.uk

LONDON

First International Conference LITHUANIAN CAPITAL MARKET AND INVESTMENT OPPORTUNITIES

Speakers from the Government of Lithuania, Securities Depository, Nomura, William de Broc, Societe Generale etc. Agenda covers Lithuanian economy development, prospects, privatization, capital market legislation, infrastructure and protection of foreign investments. Contact: Arminia Lauzadyte Tel: (3702) 728871 Tel: (3702) 724884 E-mail: arminia@nvs.vnpb.lt

Vilnius, Lithuania

MAY 15-16 City of Moscow 850th Anniversary Conference

New Opportunities in Finance, Investment & Trade. Roundtable with Mayor & Government of City of Moscow. Featuring presentations by leading city officials, investment bankers, corporations on trade & investment opportunities in City of Moscow. Unique opportunity to meet the Mayor & Government. The delegation will be accompanied by large group of senior Russian bankers & businessmen. Vicky Gibb, Seale Associates, Tel: 44 171 363 7711 Fax: 44 171 363 3455

LONDON

MAY 16 Cross Border Distribution of Investment Funds

One day seminar. Jointly organized and chaired by the IFED International Tax Academy and Cooper & Lybrand. Special guest speaker is Mr Yves Meersch, (Chairman, Ministry of Finance, Luxembourg). Contact: Martin van der Weg, IFED International Tax Academy, Amsterdam, The Netherlands Tel: +31-20-626-7726 Fax: +31-20-620-9397

LUXEMBOURG

MAY 20-21 Legacy Database to Client/Server Applications over the Internet

Legacy integration with the Internet, client/server computing the future of new media enabled corporate communications, developing web applications that integrate with legacy systems. Technical presentations and case studies from: Logica, ICL, BT, Intelligent Environment, Sterling Software, UNICOM, +01995 256 484, email: alex@unicon.com.uk URL: http://www.unicon.com.uk

LONDON

MAY 21-22 New Strategies for Creating Corporate Value

Traditional performance measures focus too narrowly on historic accounting results. This event addresses other factors that encourage shareholder value (investment by identifying the real wealth creators and value-drivers within an organisation). Contact: Mick Gwynne at Business Intelligence Tel: 0181 879 3355 Fax: 0181 879 1122 E-mail: mick.gwynne@business-intelligence.co.uk

LONDON

Strategic Tax Planning for Rights Owners

If you ignore how taxation affects intellectual property, you stand to compromise your position through poorer rewards and increased costs. Maximise your brand potential through efficient tax planning. Presentations by Jonathan Schwarz editor FT World Tax Report and from representatives of Price Waterhouse, Hammond Suddards, Macfarlanes, Bristows Cooke & Carmichael, and Interbrand. Call Royd for details on 0171 434 3711

THE LAWYER

London

JUNE 11-12 EUROAD 97

Business opportunities in EU funded projects in 160 countries worldwide. Conference and exhibition covering a multitude of disciplines and products. The meeting place to find your European partners bidding for EU projects worth 10,000 million ECU per year. Contact: John Daniels, CEP Tel: +32 2 646 89 26 Fax: +32 2 646 95 79

BRUSSELS

JUNE 12 & 13 FT Aerospace & Commercial Aviation Conference

Confirmed speakers: Mr Jürgen Weber, Lufthansa, John Weston CBE, British Aerospace, Melvin Brachor, Lockheed Martin Space & Strategic Missiles, Stelios Haji-Ioannou, Easy Jet Airlines. Enquiries: Nicholas Canty, FT Conferences Tel: (+44) 171 896 2626 Fax: (+44) 171 896 2696/2697

PARIS

JUNE 16 & 17 FT World Gold

Mr José Tormey, Governor, Czech National Bank; Mr Cyril Ramphoso, Deputy Executive Chairman, NAL; and Mr Andy Smith, Precious Metals Analyst, Union Bank of Switzerland and its subsidiaries. Enquiries: FT Conferences Tel: +44 171 896 2626 Fax: +44 171 896 2696/2697

FRAGUE

JUNE 23 & 24 The 2nd FT World Aluminium Conference

This conference, with CRU International, focuses on competition and tariffs, markets and applications. EMU and the industry, supply side developments and price trends. Enquiries: Sarah Gibb, FT Conferences Tel: +44 171 896 2626 Fax: +44 171 896 2696/2697

LONDON

Conferences & Exhibitions

To advertise conferences, exhibitions, trade fairs, conference venues and training courses to approx 1.2 million readers worldwide.

Contact Vivienne Eka on 0171 873 3507 fax 0171 873 3098

Financial Times



FINANCIAL TIMES Conferences

Aerospace and Commercial Aviation Conference

Paris Hilton, 12 & 13 June 1997

A major FT conference on the eve of the Paris International Air Show

KEY INDUSTRY TOPICS BEING DISCUSSED INCLUDE:

- Visions, challenges and opportunities for a restructured Airbus Industrie in a competitive global marketplace
- The market for large passenger jets re-appraised
- Has consolidation in the US aerospace defence industry run its course?
- The way forward for aerospace defence manufacturing in Europe?
- To what extent is the industry applying the lessons of the last boom-bust cycle in the current upturn?
- The future for commercial space exploration: Competition or co-operation between industry players?
- The myth and reality of European air transport deregulation: The opportunity for low cost airlines
- Enhancing air safety: Operational and technical challenges

CONFIRMED INDUSTRY SPEAKERS:

Mr Yves Michot
Chairman and Chief Executive Officer
Aerospatiale

Mr John Leahy
Senior Vice President Commercial
Airbus Industrie

Mr Jürgen Weber
Chairman
Lufthansa German Airlines

Mr Mike Turner
Group Managing Director
British Aerospace plc
President, The Society of British
Aerospace Companies (SBAC)

Dr Wolfgang Piller
Member of the Board of Management
Daimler-Benz Aerospace AG

Dr Mel Brashears
President and Chief Operating Officer,
Space and Strategic Missiles Sector
Lockheed Martin Corporation

Mr Charles Bigot
Chairman and Chief Executive Officer
Arianespace

Mr Stelios Haji-Ioannou
Chairman and Chief Executive Officer
EasyJet Airline Company Ltd

Mr Stéphane Chesard
Senior Space Analyst
Euroconsult

Mr James A Blackwell Jr
President and Chief Operating Officer,
Aeronautics Sector
Lockheed Martin Corporation

Mr Hans Mirka
Senior Vice-President, International
American Airlines

Mr John P Weston CBE
Group Managing Director
British Aerospace plc

Mr Stéphane Dailencourt
Senior Vice President
Head of Transportation Group
Credit Lyonnais

Mr Val K H Eggers
President, European Civil Aviation
Conferences (ECAC)
Commissioner for International Aviation
to the Ministry of Transport and the Civil
Aviation Administration, Denmark

Mr Richard J Mayntam
Deputy Chairman
The Archer Holdings Group plc
Chairman, Lloyd's Aviation Underwriters
Association (LAUA)

The programme cannot be altered after the programme at any time



The European Association of Aerospace Industries

To Register NOW fax this form to us on: (+44) 171 896 2696/2697

AEROSPACE AND COMMERCIAL AVIATION Paris, 12 & 13 June 1997

Mick/Melinda First Name

Surname

Position

Company/Organisation

Address

City

Postcode

Country

Tel

Fax

Type of Business

Other Previous Address: The information you provide will be held on our database and may be used to keep you informed of our

OR Register by Post: FT Conferences, Maple House, 149 Tottenham Court Road, London W1P 9LL, UK

(+44) 171 896 2626

FEES ARE PAYABLE IN ADVANCE

☐ Please send me conference details

☐ Please reserve one place at the rate of £285.00 (£320.00 plus French TVA at 20.0%)

☐ Cheques enclosed made payable to FT Conferences

☐ Bank Transfer to: FT Conferences, Midland Bank plc
City of London Corporate Office, Account Number: 71000005
Sort Code: 40 02 50 International SWIFT Code: MIDLGB22
(please quote delegate names as reference)

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

☐ Please charge my AMEX/MasterCard/Visa with £

Lachlan advances in 'battle' of succession

But power at News Corp may one day be distributed among the three young Murdochs, says Raymond Snoddy

When the News Corporation summoned about 250 international investment analysts to a day of presentations on the future of the company last month, Rupert Murdoch, chairman and chief executive, dominated the show. During the meticulously scripted production in the Twentieth Century Fox studios in Los Angeles, Rupert Murdoch insisted that he thought of News Corp as "tiny" relative to the opportunities in the worldwide market for media and telecommunications. He denounced reports that newspapers are in decline as "just plain wrong".

But there were two other Murdochs on parade that day - Elisabeth Murdoch, who reported on the affairs of British Sky Broadcasting as its director of programming and more centrally Lachlan Murdoch, managing director of News, which brings together all News Corp's Australian interests.

Lachlan, who is 25, and the Murdoch considered by the outside world most likely to take over his father's mantle, had two presentations to make - one on News Corp's newspaper interests

in Australia and the other on Foxtel, the company's pay television company. In an echo of a familiar Murdoch theme, Lachlan argued that one of the things that had influenced the launch of pay television in Australia had been "a high level of misguided government intervention". But in an up-beat conclusion, the managing director of News Australia explained that whatever happened to the subscription television market there, "Foxtel is uniquely positioned through its significant roll-out commitments, its superb content, and its clear brand leadership, to be in the driving seat of this Australian pay-television industry."

The 67-year-old Rupert Murdoch says that when the day comes for him to give up day-to-day control of News Corp, he believes the three young Murdochs - James, the youngest, who is in charge of the embryonic music and electronic information interests, Elisabeth and Lachlan - are close enough to sort out issues of control without rancour. But there is little doubt that Lachlan has been given the most intensive managerial

training in News Corp. "Every time you get comfortable and you think 'Gee, I can get my head around this, I'm doing well', I'm on to the next thing," says Lachlan, a thoughtful, neat and precise young man who chose to study philosophy at Princeton for four years before embarking on his career, which has been entirely within News Corp. Significantly, Lachlan Murdoch has followed closely the apprenticeship of his father in printing, newspapers and journalism.

Lachlan began summer work as a printing apprentice in a Murdoch press room in Sydney while still at school. Then there was a summer spent as a sub-editor on The Sun in London.

There were also stints at The Times, with the Burda newspaper group in Germany and - while at university - a day a week at a commercial pre-press operation in Pennsylvania.

Lachlan says there was never pressure to go into the family business. "I think we all knew my dad would like us to go into the business. What there was, was a very

clear understanding about the work ethic - that whatever we did in life, he would expect us to do it to the best of our abilities and to be very serious about our work," he says. There was a time when Lachlan, who was very keen on rock climbing at university, considered taking a year out to concentrate on his sport. There was also a moment of decision, of choice, one evening when he opted not to. Lachlan thought of his grandfather Sir Keith Murdoch, his father Rupert - "people who have accepted responsibility within the community" - and then he decided to do the same. It meant two weeks holiday after graduation before, at the age of 22, becoming general manager of the Courier-Mail group of newspapers in Queensland. In 11 months he had to learn to manage, hold meetings and get people to do what he wanted them to, even though there was inevitably an element of suspicion about the arrival of an inexperienced owner's son in a position of authority. Lachlan Murdoch is polite, thoughtful and quietly spoken - but very, very determined. He was publisher of The Australian for nine months before becoming deputy chief executive of News Australia and then managing director under chairman and chief executive News Corp veteran Ken Cowley. Apart from setting up the Super League and negotiating television deals with James Packer, son of Sir Kerry, ASBN (\$400m) has been invested in four new printing plants. "Now I am totally responsible for the whole business," says Lachlan. He tries to get away one day a week in "a little sailboat" just as his father did. What the next job will be



Lachlan Murdoch: driving the family business forward

should give the clearest evidence on how the succession "battle" is likely to turn out. But that may be too simple a way of looking at the issue and power could be more widely shared. Lachlan Murdoch emphasises that all the Murdochs, his brother and his sister, his dad and his mother Anna, all share one trait - "a certain extremism". This involves a total commitment "which keeps us focused" on driving the family business forward. "When you look at a map of the world, it's exciting when you look at all the opportunities," he says. It could be Rupert Murdoch speaking.

What the next job will be should give the clearest evidence on how the succession "battle" is likely to turn out. But that may be too simple a way of looking at the issue and power could be more widely shared. Lachlan Murdoch emphasises that all the Murdochs, his brother and his sister, his dad and his mother Anna, all share one trait - "a certain extremism". This involves a total commitment "which keeps us focused" on driving the family business forward. "When you look at a map of the world, it's exciting when you look at all the opportunities," he says. It could be Rupert Murdoch speaking.

Philippines thrill to Jaguar's roar

Asia-Pacific sales are taking off, says Justin Marozzi

It is less than a month since Jaguar entered the Philippine market, but there is already a very happy mood in the new showroom in Makati, Manila's central business district. In its first week, after heavy local press coverage, Jaguar Philippines sold 12 cars, taking it from nowhere into third place behind Audi and Toyota. In the Asia-Pacific region, the secret, says the chairman and president, Wellington Soong, a self-confessed anglophile and Jaguar obsessive, was a shrewd assessment of which way the market was headed.

"I am basically a market- person and I think I have read the pulse of the market's preference pretty well," he says. "First of all it is looking for a new brand. With all respect to BMW and Mercedes, they are now taken for granted here and the narrow band of the elite is less interested in them. Finally, the economy is very robust and there is now so much wealth in the economy that new fortunes are being made all the time."

One could argue that a Filipino needs a fortune to buy a Jaguar. Punitive high import charges add about 120 per cent to the cars' showroom cost. Prices start at 3.85m pesos (\$146,000) for the XJ6, ranging to a princely 5.8m pesos (\$220,000) for the new XJS.

Next to post-car prices in neighbouring countries, however, those in the Philippines are not excessive. According to Steve Watts, Jaguar's Singapore-based regional manager, Singapore imposes a 175 per cent levy on luxury cars. Thai-

land 258 per cent and Indonesia as much as 300 per cent. Watts points to Jaguar's association with the US in Filipino minds as an important factor. The west coast of the US, where Jaguar is well known, is home to the largest number of Filipinos outside the archipelago. A chief selling point locally is its new state-of-the-art service centre. Jaguar has also set up a database of the 100 or so existing Jaguar owners who need someone to go to for maintenance, repair and restoration work. "I think the important thing is to tell the market that we are here to stay," says Soong. Jaguar hopes to cater to the rapidly growing number of extremely wealthy executives based in Manila. And, like many Asians, successful Filipinos like to show their money. A Jaguar, says Soong, offers the unusual combination of status symbol and understatement in one product. "If I'm driving a Jaguar into a hotel forecourt, the doorman will always give me a 'Wow, boss!' You don't get that reaction in a Mercedes anymore."

In the 1970s Jaguar tried to make inroads into the Philippines but saw its efforts frustrated by high import duties, poor economic conditions, weak marketing and after-sales service, and lack of spare parts. And it was an all-time low before Ford came to its rescue.

Jaguar now sees the Philippines as Asia's third-fastest growing economy, and hopes to have five dealerships there by 2000, including three outside Manila. Launches in Indonesia, India and Sri Lanka will follow soon.

A case for Science of Sport

A delicate balancing act between science and commerce is underway at the Science Museum in London, which this week launches one of its largest temporary exhibitions to date - Science of Sport - in collaboration with eight commercial partners.

The show is designed to appeal to the widest audience, to extend the museum's appeal beyond its traditional middle-class customer base.

The Science Museum was one of the first big London museums to introduce an entry charge, in 1968. It has since expanded its marketing department to develop

revenue-earning activities that include retailing, merchandising, licensing and corporate hospitality.

Sponsorship - once little more than corporate patronage - is now run in an overtly commercial manner. Meanwhile, the museum has updated and expanded its permanent exhibits, placing increased emphasis on interactivity and on visitor participation.

Temporary exhibitions now have an important role to play in generating secondary revenue, and by

broadening the appeal of the museum, says Hugh Rodrick, its head of marketing and communications.

"Our first toe in the water was the Star Trek exhibition last year," he says. That attracted 240,000 visitors in just five months. Science of Sport, which will run for 19 months, is expected to attract about 1.5m.

"Science of Sport will have very strong science content, but will also significantly broaden the museum's appeal," says Rodrick. "We still attract a

heavy preponderance of middle-class families. Where we're less successful is teenagers and lower income groups who are not as naturally motivated to visit 'great institutions'. Our priority is to appeal to these people as well."

Teaming up with an impressive collection of household brand names - ranging from Adidas, Bausch & Lomb, Foot Locker and Seiko to the National Basketball Association and Lawn Tennis Association - was not so much a

matter of commercial expediency as an opportunity to improve the content of the event and promote it more widely, says the museum's head of business development, Mark Sullivan. Shredded Wheat, for example, is participating in the Food for Sport section. It will also run promotions to promote the event. Adidas is providing materials for exhibits from its museum in Germany. Adidas-sponsored sports personalities will also be featured. Mitsubishi is using the

exhibition as a platform for its mobile telephones. "As a technology-based company, our main is 'technology for life'," says Mitsubishi's Peter Elliott. "We're not so much looking for a ringing endorsement of our product as an association, which gives us credibility." The museum will continue to hone a consumer-focused, market-led approach. Success, however, will also depend on careful brand stewardship. It says. Only in this way will it meet the expectations of its own management as well as customers and sponsors.

Meg Carter

Tim Jackson

WebTV waits for green light

What a difference \$300 million of water make. In Enropc, people still talk about the "superhighway", a mythical broad-band network of the future connecting households to a range of video, music and home shopping services. Judging by their commercial trials, many European cable and phone companies hope to control the commercial and technical interface of the superhighway.

In the US, by contrast, the debate has moved on. Most American business people recognise that the Internet's momentum is unstoppable. So much creativity and capital has already been poured into the development of Net content, software and hardware, that any future broadband network will have to complement the Net, not compete with it.

But there are still entrepreneurs betting that the Net will gain mass acceptance only when "liberated" from the PC and delivered to televisions - to the sitting room rather than the home office. One of the most promising is Steve Perlman, a high-energy technologist whose career includes spells at Apple Computer and General Magic.

Perlman is the founder of WebTV, a company based in

Palo Alto, California, that has developed technology allowing today's World Wide Web pages to be viewed on today's home TV sets using today's infrastructure. His device, whose basics were developed in a few days, reformat the data in a web page and turns it into a signal that fits the standard American TV picture.

Perlman raised money from Microsoft co-founder Paul Allen in 1995, and has since attracted \$65m (\$30m) in start-up funding, including money from Citicorp, George Soros Capital, Times Mirror, Seagate Capital and Microsoft itself. His technology has been licensed to Sony and Philips, both of which have boxes on the shelves of consumer electronics stores across the US, priced at slightly more than \$300.

WebTV is easier to install than a PC. You connect a grey box into the back of your VCR, and plug it into a power socket and a phone line. The television displays a sign-up screen asking for name, password and credit card number. From then on, the machine connects automatically via the phone line to WebTV's server using a local Net service provider, allowing you to surf the web using a TV remote control.

Pages download more quickly than on a PC, because the WebTV device compresses the data more.

The company also caches thousands of popular web pages on its servers, reducing wait times. Customers can send and receive e-mail, composing their messages either using an optional \$70 infra-red keyboard or (painfully slowly) using the remote control alone. A red light on the box tells you when you have messages waiting to be read.

Perlman's objective is to maximize the size of the company's audience, and to try to capture as many of the advantages as possible that a proprietary network might have. Customers pay a monthly subscription of \$19.95. WebTV also sells ads on its home page, and exacts a share of ad revenue from web site owners who choose to become its partners. When subscribers look at other web sites that don't bring in revenue, WebTV can interrupt their surfing to display an ad just like broadcast television.

The company also aims to make money from transactions and premium services. The boxes have been in the stores for five months now. Perlman is coy about sales, but analysts believe the total to date is less than 100,000. In Net terms, this is a blip; Microsoft expects a half a million customers to download a new piece of software every week. For consumer

electronics, it's more impressive. Sony shifted 35,000 WebTVs in the first two months after launch, a figure that took a year to achieve when CD players first came out.

WebTV is a brilliant achievement. But its commercial future depends on two questions. One is price. US makers of PCs are now selling home machines for \$995, half what they cost when WebTV was first conceived. Every year, PCs get easier to use. They can already play audio CDs. Once TV reception on PCs becomes standard, the price premium over WebTV will look more defensible. Since 90 per cent of WebTV owners buy the optional keyboard, many of them may start to crave the storage and processing power available only from a "real" computer.

The other worry is telephone charges. Outside the US, phone companies in most industrial countries charge for local calls. So a two-hour evening surfing session adds \$5 to the phone bill - more than the cost of renting a video. Perlman claims to have technology in development that resolves this problem. If he is right, WebTV may make a splash in Europe and Asia. If not, the cable companies may make the big money from putting the Web into TV.

Perlman claims to have technology in development that resolves this problem. If he is right, WebTV may make a splash in Europe and Asia. If not, the cable companies may make the big money from putting the Web into TV.

tim.jackson@pobox.com

FTid - The Internet Directory

The following companies want you to know that you can find out more about them by simply looking them up on the World Wide Web. All of these can be accessed via hyperlink directly from the Financial Times at <http://www.ft.com>

www.unirgn.com
READ
"Unorganization"
downstructuring towards
collapsible corporations
on-line
www.unirgn.com

INTERNET BROADCASTING COMPANY
Business opportunity
Broadcasting Events
On-line Camera Systems
Promotional Web Services
call 958 346658
jbc@unirgn.com

Holiday Inn
EXECUTIVE EXTRAVAGANZA!
<http://www.holidayinn.com>
or E-mail us at
www@holidcompuserve.com

RUSSIA
Everything you need to know about Russia.
www.russia.net

Every week on 2 Mondays
the FT shows you
the chance to advertise your internet site to the FT's influential readers in 160 countries worldwide.
In addition all advertisements also appear on FT24 - the FT's internet site. This gives you a unique opportunity to attract new readers to your own site via a free hypertext.
20% of FT readers would online in the last year.
For advertising rates and further details please call
Chris Ballwood on
0121 873 3234
Source: IAGP Research June 1996 UK sample

International Internet Name Registration
net names
Have you registered your company, trade and product names around the world? 300,000+ names are already registered, are yours?
Protect Yourself. Register Now
FREEPHONE 0800 269049 netnames@netnames.co.uk

Earth Council Organisation "ECO"
A free cyberspace commonwealth
Brings, courage and dedication needed to make this 21st century community a reality. You are invited to join line print discussion forums on structural legal, financial, social issues on <http://www.eco.co.uk>

SeQuoia
Need help understanding how your business partnership is affected?
Essential information for Company Secretaries and Directors.
<http://ourworld.compuserve.com/homepages/SeQuoia>

AMM ONLINE
The Internet's Largest
Email-to-Fax Service
Fax from anywhere in the world to the U.S. for only 10¢ a minute!
• Reseller Inquiries Welcome
Email: info@faxaway.com
www.faxaway.com

FLEMINGS
http://www.flemings.lu

GAM
For information on GAM's unit trusts and unit funds see <http://www.gaminfo.com>
Email address info@gam.com
Tel: +44 1634 632 777

Demon Internet

net effect
The largest European Internet Service Provider
get <http://www.demon.net>

Tired of paying for your business information?
www.businessmonitor.co.uk

HOTEL & TRAVEL INDEX ONLINE
REED TRAVELER.NET
THE ONE-STOP SOURCE FOR ACCOMMODATIONS INFORMATION WORLDWIDE.
<http://www.traveler.net/nio>
bvermco@aol.com
Telephone: (201) 902-7788

Demon Internet
DEMON INTERNET PIONEERS
OF INTERNET CONNECTIVITY
To get connected call Demon Internet on 0181 371 1234
E-mail: info@demo.net <http://www.demon.net>

<http://www.21store.com/>
Multiple products for Global Village
PASON SERIES 3 & SEVA
SHARP Zaurus, US Robotics Pilot
Nokia 9000 Personal Communicator
GPS/NAVIGATOR, MAGELLAN'S THINLIX
MAGELLAN'S SATELLITE TELEPHONE
Secure internet banking - worldwide delivery
Tel: +44 (0)1787 663553

Memory & Upgrades
Memory for all computers
pcmcia; fax/modems,
soundcards, network cards,
CPUs, drives etc
Best prices and quality
Est. 1987.
computer 88
tel: 0151 428 1888
www.computer88.co.uk

The Business Forum
Home ol
• CBI
• Chambers of Commerce
• Best Practice
for the best business solutions
<http://www.thebusinessforum.co.uk>

Cyber sightings

● **Société Générale**, France's largest privately owned bank, is the most recent European bank to join the Web, at www.socgen.com. With performance statistics and background on all its mutual funds (unit trusts), the pages would be just a standard corporate site, were it not for the (well-hidden) search calculator giving bank holidays for the major countries until 2007.

● **Software company Uni-**

ware from www.adobe.com. The central bankers' central bank, the Bank for International Settlements, is also using PDF files at www.bis.org.

The charters and conventions governing the bank are presented with an excellent explanation of the bank's role, but the main focus of the site is the publications section, offering working papers and other documents.

● The Simon Wiesenthal Centre (www.wiesenthal.com) has compiled a database of more than 1,500 Swiss bank accounts frozen since the second world war, and is inviting those who suffered from the Holocaust, and their heirs, to join its

class action suit against Swiss banks. The site also features an online tour of the Museum of Tolerance.

● Today we find out who can really swing it in Hollywood, when the Oscars are announced. The official site (www.oscar.com) promises live coverage and transcripts, and film buffs can dig for trivia in the files of the Academy (www.oscar.org).

steve.mcgookin@ft.com

Financial Times on the World Wide Web
www.ft.com
Updated daily

BUSINESS TRAVEL

Travel News - Roger Bray

Smoke screened

Two of the world's biggest airlines, American and United, will complete blanket bans on smoking this summer. From July 1 it will be forbidden on American Airlines' flights to and from Latin America and Japan. Mexican services where smoking is still allowed will also come under the ban.

On the same day, United will banish smoking from its flights to and from Asia and Latin America.

Smoking has long been prohibited on US domestic flights. Hans Mirka,

American's senior international vice-president, says: "It's obvious that the airline marketplace is moving in the direction of a totally smoke-free environment. A growing majority of our customers tell us they want non-smoking flights regardless of where they're flying."

Size is everything

Complaints from passengers that some business travellers are hogging the overhead bins with excessive carry-on baggage

have prompted a clampdown from KLM. Formerly the Dutch airline asked business class passengers to restrict themselves to a small bag. Small extra items such as laptops posed no problem but, according to the airline, some customers were "pushing their luck and seeing what they could get away with".

So KLM has now formalised limits, imposing a maximum of one suitcase or overnight bag with a maximum weight of 10kg, a briefcase or other bag up to 5kg, a laptop, umbrella, camera and reading material.

Size will also matter. The

main bag must be no larger than 55cm x 35cm x 25cm, for example. And to ensure the rules are not abused, it will be measuring cabin luggage.

Osaka opening

Ritz-Carlton is to open a five-star luxury hotel in the Japanese city of Osaka in May. The company says this will not be what the hotel industry calls a "soft opening" with some facilities not yet available. Everything will function from the word go.

The 282-room development occupies 30 floors of a 190m-high skyscraper in the Nish-Umeda district, and is

25 and 50 minutes respectively from two international airports - Osaka itself and Kansai.

Tax troubles

Expect confusion when the UK government's increased premium tax on travel insurance takes effect on April 1. Cover sold in association with travel will attract tax at 17.5 per cent, while policies sold direct or through non-travel retailers, such as banks, will have the tax levied at 4 per cent.

Graham Setterfield, American Express head of insurance services for Europe, says it will sell

policies at the lower tax rate if customers call direct - but not if the cover is related to other travel arrangements booked through one of its retail agencies. How this rule will be policed remains a mystery.

The chain in Spain

The French Accor group has signed a partnership deal with Madrid-based NH Hoteles to develop what it claims will be Spain's first budget hotel chain.

The plan is to open 60 hotels over the next five years, mainly around the capital and other leading cities.

Likely weather in the leading business centres

City	Mon	Tue	Wed	Thurs	Fri	Sat
London	15-18	16-19	17-20	18-21	19-22	20-23
Paris	14-17	15-18	16-19	17-20	18-21	19-22
Frankfurt	12-15	13-16	14-17	15-18	16-19	17-20
Amsterdam	11-14	12-15	13-16	14-17	15-18	16-19
L. Angeles	25-28	26-29	27-30	28-31	29-32	30-33
Paris	15-18	16-19	17-20	18-21	19-22	20-23
Beirut	18-21	19-22	20-23	21-24	22-25	23-26
Damascus	18-21	19-22	20-23	21-24	22-25	23-26

BEIRUT DAMASCUS

Large, branded hotel chains are little better than the devil you know. They offer a recognised level of service, and business travellers and their agents know how to book them. But many travellers despair of these luxury prisons with their endless corridors, controlled atmosphere and anonymous furnishings. Above all, they tire of cheerless, impersonal service.

For Mike Gilmour, who runs BBS Europe, an advertising production consultancy, the turning-point was when he billeted 13 technicians and himself at a hotel in Grimsby, in the north of England, belonging to a leading UK chain. During dinner, he developed a headache and went to the front desk to ask for an aspirin. When the receptionist told him the aspirin would cost 20 pence, he vowed never to use the chain again.

"The multiple hotels are seriously impersonal and uncomfortable," says Gilmour. "They have done their research and decided this is what you want. If you don't like it, tough. I always ask my travel agent to find me a small, independent hotel, where I can open the window rather than use the air-conditioning, and where I can get a cup of tea with a minimum of fuss."

Gilmour's sentiments are shared by David Flinders, a director of Future State Technology, a security industry software company. He had been staying intermittently, but not particu-

When small is beautiful

Executives are increasingly turning away from big anonymous hotels in favour of a more personal approach, finds Amon Cohen

larily happily, at a chain hotel while working for a client in Surrey. About a year ago, the hotel was full when he needed a room and he was given a list of alternative accommodation in the area.

He chose The Cranleigh Hotel in Reigate, a 10-room independent hotel, and has used it ever since. The Cranleigh is owned and run by the Bussandri family and offers a restaurant, conservatory, garden, orchard, swimming pool and tennis courts for £55 per night for a single person.

"It is more like home," says Flinders. "It is warmer, more friendly and there are always people to chat to. Furthermore, it is better value. The larger hotels are too expensive for what you get." Carol Bussandri says she goes out of her way to create a homely atmosphere that makes a marked contrast to larger rivals at nearby Gatwick Airport.

"The big chains offer everything except company," says

Bussandri, who estimates that 80 per cent of her guests are business travellers. "Our regulars look forward to meeting each other and they even visit the pub together. We also put people together at dinner if they turn up on their own."

Many of the business travellers who use hotels such as The Cranleigh work for or run small independent companies themselves. Employees of multinationals are more likely to be constrained in their choice by corporate travel policy, obliging them to use hotel chains with which their travel department has negotiated worldwide rates.

However, employers as well as employees are waking up to the virtues of the small independents. One such is Ikeda Technology Europe, an Anglo-Japanese automotive design and development company based in Newcastle upon Tyne.

"We almost invariably use small, independent hotels," says company secretary

Lorraine Holdcroft, who is due to chair the Institute of Travel Management. "They are more flexible in their negotiations on room rates and our travellers receive extra personal attention." The independent hotels are also popular with Ikeda staff.

"I tend to feel uncomfortable in larger hotels, as if I am there to serve them rather than to be served," says principal engineer Al Barclay. However, Ikeda does resort to chains when employees visit unfamiliar destinations because a known brand guarantees levels of service and comfort.

This is the crucial question for independents: how do they let business travellers know they exist and are of a dependable quality? For some, the answer is to join a consortium. The Cranleigh, for example, is a member of the UK version of Les Routiers, the French hotel and restaurant marketing consortium. The UK franchise has 800 hotels with restaurants and 120 guesthouses -



all inspected - on its books and it lists 280 of those it judges suitable for business travellers in a directory called Corp-a-Rate. Anyone who buys through Corp-a-Rate is guaranteed at least 5 per cent off the normal tariff. Managing director Gordon Wilson says the hotels range between one and four stars, with most falling within the two-star to three-star categories. Expect direct-dialling telephones at most of them but not in-room fax machines and modem sockets.

Les Routiers properties can be found on a Microsoft route-planning CD-Rom called Autoroute Express and can also be booked through the HotelWorld Internet site: <http://www.hotelworld.com>.

For those who arrange their trips through a business travel agent, making a reservation can be more difficult. For economic reasons, hotel bookings are increasingly made via the airline computer reservations systems found in every agency. Unfortunately, few independent properties are on the systems because the

cost of joining is prohibitive. Airex, a subsidiary of Utell, a hotel reservations company, claims to have solved this problem. It has devised a simple plug-in to the system that directly connects the hotel's PC to its parent company's computer system. Hotel distribution technology expert Mike Gates, a consultant on the project, says 100 small hotels have already subscribed and he expects many more to join. According to Gates, 95 per cent of the 25,000 hotels in the UK have fewer than 50 rooms.

Yet in spite of the proliferation of electronic marketing and distribution, there is no replacement for personal recommendation, which is how The Cranleigh gains most of its new customers. Chris Turnbull, joint managing director of Scholefield Turnbull and Partners, Gilmour's preferred travel agency, warns against random selection of unknown hotels. "You have to be careful - you can get dubious quality," he says.

"I make it my job to find hotels I can recommend or I will ask clients for their suggestions." Turnbull has used the same small, three-star hotel in Paris for 30 years and now sends Gilmour there regularly. "There is a bad side to the hotel which overlooks a supermarket but from the good side you can see the Eiffel Tower," says Gilmour. "The service, though slow, is charming and hassle-free. What more could you ask from a hotel in Paris?"

US pilots reaffirm April 28 strike

The Allied Pilots Association in the US reported progress in resolving a dispute with American Airlines over common flights, but its board adjourned until April without deciding whether to back a new contract proposal from American. APA added that it would make any move to avert a strike by its pilots set for April 28.

The union said the pilots who fly the small jets which American plans to buy for its carrier, American Airlines, remained the most contentious in its discussions with American.

A huge rock slide in 60km south of Salzburg, Austria, destroyed part of the only road to a ski hiking area, leaving hundreds of people isolated.

Domestic airlines, China face pressure merge from the civil aviation authorities in attempt to boost efficiency. Rapid economic growth, especially along the east and south-eastern coasts, has spurred demand for air services. Some airlines are co-operate.

THE AMERICAN EXPRESS

traveling and in sudden need of

medicine that's

available

in Moscow, don't worry, we'll have

it flown there immediately

SERVICE

VALENCIA, Tuesday, June 11

"Administrative Support" for the Travel Service Office in Valencia, Spain, might have been "Administrative, Moral, Emotional and Moral Support."

She earned it when she helped a Cardmember return home to Spain from Russia for an operation (that was after arranging for medicine to be flown to Moscow) and accompanied the Cardmember's wife to the airport for moral support.

Ask Rosa, and she, like a lot of American Express employees, would say, "I was just doing my job." That's something to keep in mind when you're far from home and have a job for us to do.

THERE IS ONLY ONE AMERICAN EXPRESS.

AmEx 101250

BUSINESS EDUCATION

Victoria Griffith investigates how poetry and painting can make better bosses

Art for management's sake

April Butcher is an aspiring venture capitalist and a first-year MBA student. So what is she doing hoisting painted dummies up in a glass-covered atrium?

Actually, she's completing her required course work at Babson, a business school located in a Boston suburb. As part of their two-year course, Babson students are expected to take part in the university's "creativity module" - a five-week course in disciplines such as poetry, the theatre and painting.

Business schools have traditionally considered knowledge about the arts valuable only as cocktail party conversation. Yet Babson sees its creativity module as a way to impart lessons about the business world itself. "We're not aiming to turn our students into artists," says William Glavin, Babson's president. "We're trying to throw them off the deep end, to place them in a situation they've never been in before and say 'Do it'. That will probably happen to them at some point in their career."

Many business school students, Glavin believes, love to play it safe. They live in a world of cash flow charts and spreadsheets and are intent on finding "correct" solutions. "They come here because a career in management offers financial security," says Glavin. "Too

often, they haven't left much room for ambiguity in their lives." Babson aims to show students that a career in management is full of grey areas. To boost the discomfort level of the creativity sessions, the school randomly assigns students to courses.

Mary Pinard, who teaches the particularly unpopular poetry section, sets aside 15 minutes of the first meeting for letting students

vent frustration at having been placed there. "Usually, they talk about how much they hate poetry and how they can't imagine themselves writing a poem," says Pinard. "It's useful afterwards, when they manage to do it, because it shows they are capable of so much more than they think." Pinard stays away from the rhymes that intimidate so many, and focuses instead on images and

syllable counts. Students are also asked to complete each other's poems, to build up a team atmosphere.

Team work, in fact, is a key theme of the creativity module. Most projects are conceived and presented by the entire class. Butcher says the floating dummy installation was an artful pooling of ideas. "One person wanted to throw confetti, and another wanted

to hang written expressions beside them," she explains. "We ended up throwing the written expressions like confetti."

During the presentation, onlookers were asked to pick up these sayings - things like "My favourite colour is blue" and "Where are the women?" - from the floor, in an effort to get them to see the installation in different ways.

Students say they have learned to value the creativity module as an important part of their business school experience. "When I'm out in the work world and in a situation where I feel out of my depth, I'll remember this," says Christopher Chandon, who was originally mortified to hand in the poetry section. "People complimented me on my final poem, which was about climbing a mountain just before sunrise. After I got over my initial fear [about writing the poem], I just went with my instincts."

Babson students say the module also gives them an important sense that their colleagues are very creative people. Because the creativity module receives the highest student rating at the school - scoring nine out of a possible 10 points - there has been some talk of expanding the section. Yet, since so many other courses have to be squeezed in, that seems unlikely. Says Glavin: "This is, after all, a business school."



Students on Babson's MBA course gather in front of their artistic endeavours in the college atrium

NEWS FROM CAMPUS

Students for hire on overseas projects

If you want to break into a new market you could hire an expensive team of consultants to draw up a strategic plan. Or you could turn to a group of MBA students.

Sixty students from the Haas school at Berkeley in California will soon be working in teams in Russia, south-east Asia and South America to investigate international business development there for a range of companies, including blue chips such as Motorola, Levi Strauss and Citibank. Final reports are sent to client organisations in late summer.

Haas: US, 510 642 8228

From bank to business school

The management school at Imperial College in London is introducing a one-year full-time MSc course in finance from this autumn.

The programme will be led by David Miles who has joined the school from Merrill Lynch, where he was chief UK financial economist.

Miles was previously an adviser to the Bank of England.

Imperial: UK, (0)171 589 5111

Technology gives strategic edge

Price Waterhouse and interactive technology specialist Kebec have developed an off-the-shelf CD-ROM course to provide training in strategic management. Business Strategy covers the strategic planning process using dramatised and real-life case study companies.

Kebec and Price Waterhouse are already selling a CD-ROM training course on marketing. Kebec: UK, (0)1453 536 135

Executive changes at the top at MBS

Ian Tanner has been promoted from deputy director to director of the Executive Centre at Manchester Business School in the UK. He replaces Jeff Ramsbottom who is continuing to work for the centre. MBS: UK, (0)161 275 6333

Conferences & Exhibitions

Next week's Conferences & Exhibitions Guide will appear on Tuesday 1st April

For advertising information please contact Vivienne Eka
Tel: +44 171 873 3507
Fax: +44 171 873 3098

Financial Times

LANGUAGE COURSES

FAST, EFFECTIVE, AFFORDABLE

Would speaking your Customer's language have made the difference?

Did your last meeting overseas go as well as you had hoped? No? Why not? Did you lose out to a competitor who did speak the language of the customer? Don't let it happen again -

Call BERLITZ for details of 'Doing Business in' French/German/Spanish NOW on

0171 - 915 0909
0121 - 643 4334
0161 - 228 3607
0131 - 226 7198

Berlitz Helping the World Communicate.

TRAVEL

WORLDWIDE TRADE FAIRS & EXHIBITIONS

TRAVEL & HOTEL BOOKINGS
Brompton Travel Ltd
Tel: 0181 549 3334
Fax: 0181 547 1236
Members of IATA-ASTA-CAA

To advertise in Language Courses

Please contact Will Piper on 0171 873 4418

CONFERENCES & EXHIBITIONS

Exhibition Centre Singapore

Date	Event	No. of Exhibitors	Date	Event	No. of Exhibitors
6-8 May	SEAFARCON Test, Assembly & Packaging	170	18-20 June	Cannes '97 - The International Computing Technology Exhibition	150
6-9 May	IMDEX Asia '97 - International Maritime Defence Exhibition & Conference Asia 1997	150	20-29 June	World Book Fair '97 Incorporating: 12th World Chinese Book Fair World English Book Fair World Electronic Book Fair	300
12-14 May	Oceanology International '97 Pacific Rim	100	26-29 June	The PC Show '97 Singapore Incorporating: The Software Show '97	350
15-16 May	Ex Free Asia Pacific '97	250	3-6 July	Light Source Exhibition & Conference '97	100
14-17 May	SIBEX '97 - 15th South East International & Construction Exposition Incorporating: AIEEX '97: 3rd S.E. Asian International Building Services Exposition AIDEX '97: 3rd S.E. Asian International Hardware Exposition REHAC '97: 2nd S.E. Asian International Refrigeration, Heating, Ventilation & Aircon Exposition A/E/C System '97	550	10-13 July	The Good Food Show, Singapore '97	150
16-18 May	Asian Diver Exhibition & Conference '97	250	14-16 July	Pro Audio & Light Asia '97 - PALA '97 Incorporating: Pro Audio Pro Light Audio Broadcast Visual Comm Sound Comm Music Asia '97	120
22-25 May	Zoram '97 Aquarium '97	40 110	17-19 July	AUTOFAC Asia '97/FASTECH Asia '97	75
27-31 May	Asia Pack '97/Asia Print '97 (AIP)	400	22-25 July	APP '97: Asia Pack '97 Incorporating: Flexible Packaging Technology Hub Incorporating: "Emerging Digital Technologies Hub"	352
2-6 June	The Annual Meeting of the International Society for the Study of Lumbal Spine	25	28-30 July	DM Asia '97 Conference & Exhibition	60
3-7 June	Pharmaceutical Ingredients Asia '97	120	28-31 July	Clean Rooms Asia '97 / DataStar Asia '97	120
5-14 June	19th International League Against Rheumatism (ILAR) Congress of Rheumatology	230			
9-14 June	Asia Telecom '97 Exhibition	400			
11-13 June	11th International Symposium on Contact Dermatitis	15			
12-20 June	Ship Design Asia - International Trade Fair & Congress for Shipbuilding, Display, Merchandising	200			

Information is correct at the time of printing. Please contact the respective organisers for the latest details.

I am interested in the forthcoming events. Please send me

more information about the Exhibitions indicated

Signature Convention & Exhibition Calendar

Name _____ Company _____

Title _____

Address _____

City _____ Tel _____ Fax _____

Singapore Travel Promotion Board, 1st Floor, Carrington House, 128-130 Regent Street, London W1R 9PE, United Kingdom.

Tel: 0171 447 0011 Fax: 0171 447 1141 Internet site: http://www.newasia-singapore.com

APRIL 23-24 Effective Computer Audit

Who's in Control of Systems? Who has the Enterprise? Implications for Audit & Productivity? Networks & Security? Audit response? Attendees: Computer Auditors and those wishing to gain a fuller understanding of the subject. 2 DAYS £295 + VAT Contact: TFL Training Dept. Tel: 0171-606 0946/606 2123 Fax: 0171 606 3751

APRIL 21-23 1997 Asian Oil & Minerals

Likely to prove the biggest public gathering this year of the oil and gas industry. Over 80 prominent speakers, including the relevant Ministers from most Asian countries. Abundant networking opportunities at this key investment conference. Contact: Europe Energy Environment Tel: 44-171-600 6060 Fax: 44-171 600 4044

APRIL 21 - JUNE 9 FT-City Course

Organised by FT Conference with City University Business School, this course, over 8 weekly afternoon sessions, provides an excellent introduction to the workings of the City of London as the financial and trading centre in Europe. Enquiries: FT Conferences Tel: 0171 896 2632 Fax: 0171 896 2696/2697

APRIL 23-24 EnergyMart Europe '97

Buying and Selling in a Competitive European Energy Market. For suppliers, marketers/traders and energy users (gas & electricity). Strategy & Trading, Energy Marketing Revolution, Financial Risk Management, Regulation, Pricing & Management of the Grid. 44 International speakers. Contact: PennWell G&E Tel: 31-30-26-50-563 Fax: 31-30-26-50-528

APRIL 23-24 Team Leadership

What is it like to Lead - Making the Transition? Groups & Teams? Leading & Communicating, Effective Feedback - Delegation & Motivation, Handling Discipline & Confrontation? Prioritising Workload, Solving Problems - Handling Change, Impact on Behaviour & Performance 2 DAYS £200 + VAT Contact: Fairplay Tel: 0171 623 9111 Fax: 0171 623 9112 Internet: http://www.fairplay.com Email: fairplay@fairplay.com

APRIL 29-30 Managing Project Success

Review of Facility Structures - Comparing Projects with Concessions - Risk Review, Management Competence, Delivering - Sensitivity Analysis, Benchmarking, Key Ratios, Using Graphs and Charts - The Danger Signs. Defining - One Studio 3 DAYS £225 + VAT Contact: Fairplay Tel: 0171 623 9111 Fax: 0171 623 9112 Internet: http://www.fairplay.com Email: fairplay@fairplay.com

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

APRIL 29-30 Managing Project Success

The UK's top general relocation conference and exhibition covers a wide range of domestic and international relocation issues. Sessions include: new research on dual-careers and international assignments, international communication relocation to the Asia Pacific Rim; group moves; company workshops and outsourcing relocation. Contact: Sandra Aldred, CBI Conferences Tel: 0171 395 8208

CONFERENCES & EXHIBITIONS

MARCH 26 & 27, WARSAW
4th Central and Eastern European Power Industry Forum (CEEPIF 97)
New Investment Programmes and IPP projects. Private Sector Participation. Innovative Power Project Financing. Liberalisation and cooperation East-West. Updates on the Baltic Ring. Electricity Pricing Policy High Level. Contact: PennWell G&E Tel: +31-30-26-50-563 Fax: +31-30-26-50-528

WARSAW

APRIL 1-2 Marketing to Win Clients

For managers desiring to increase their client base, sales and profits through a variety of marketing techniques.

• Understanding clients' needs • Marketing targeted at client needs • Researching your market • Key elements of marketing • Selecting your techniques • Planning and evaluation

BPP Training and Consultancy • Tel: 0171 628 8444 Fax: 0171 628 7818 EMAIL: BPPTraining@Compuserve.com

CENTRAL LONDON

APRIL 8 European Retail Financial Services - Change, Culture, Competition

A Cytforum, CSFI, IBM conference with a panel including Pepe Fontolosa, BBV, Bob Howe, IBM, Tim Ingram, Abbey National, David Laurence, CSFI on using technology, EMU and Single Market for business success. Information: Cytforum Ltd Tel: 01225 466744 Fax: 01225 442993

LONDON

APRIL 8-9 Managing Currency Risks for Investment Portfolios and EMU: Changes & Opportunities

Global Portfolio Managers face the challenging task of dealing with multiple currencies and assessing the effects of unprecedented structural change - such as the EMU. This conference addresses these issues. Contact: ADMR in the USA: Tel: 11804980-3658, ext 123 Fax: 11804980-3634 Internet: http://www.admr.com

ZURICH

APRIL 14 European Cars - Reduce Fleet Costs up to 10%

This seminar will highlight areas for cost savings on fleets, looking at the car fleet policy, whole life cost, negotiating the best deal with suppliers, outsourcing location etc. Contact: Sarah Armit on 0171 353 2773, fax 0171 583 1022 Email: cwa2@clarkwhitehall.co.uk

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options & Indices

This intensive learning experience, provided by Dow Jones Seminars, will be worth the time you spend away from the markets. You will gain an in-depth understanding of the techniques, knowledge, disciplines and tools to help trade more successfully in today's 24-hour "fast" markets - with less psychological strain on yourself and less risk on your portfolio. Contact: Uthmo Awatere, Dow Jones Markets, 0171 832 8999

LONDON

APRIL 14 Technical Analysis Seminar for traders of: FX, Government Securities, Cash, Futures, Stocks, Energy, Options &



Are all your talents working in concert?

An impressive range of skills can be found in almost every organisation. The challenge, of course, is getting them to perform harmoniously.

Andersen Consulting works to help synchronize all of your

Visit our web site at <http://www.ac.com>

vital components: strategy, technology, process and people.

With vast experience in each of these areas, we can help you seamlessly blend individual strengths with collective goals. Because these days, organisa-

tions don't perform. Unless they perform together.

ANDERSEN CONSULTING

The
Orien
move
vest t
ig Api

Moore finds all
s and collections
in the national
at New Yo

F

ARTS
GUIDE

TERDAM

ARTS

OPENINGS

EDINBURGH

An exhibition inspired by one of the most remarkable projects in the history of collecting opens at the National Gallery of Scotland on Thursday. It reflects the encyclopaedic range of interests of Cassiano del Pozzo, a connoisseur at the cutting edge of scientific and antiquarian studies in 17th-century Rome. All the works in the exhibition (below, right) come from the Royal Library at Windsor Castle, where the most impressive part of Cassiano's "paper museum" is housed.

ST PETERSBURG

On Sunday the State Hermitage Museum presents a retrospective of Jan van Eyck, the leading artist of the early Netherlandish school. It runs till May 15.

PARIS

The Opéra Bastille celebrates Easter with a new production of *Parsifal*, conducted by Armin Jordan, staged by Graham Vick and designed by Paul Brown. Thomas Moser sings the title role, and Kathryn Harries is Kundry. The first night is Friday.

CHICAGO

A comprehensive retrospective of Scottish architect and designer Charles Rennie Mackintosh, first seen in Glasgow and New York last year (below, left and right), comes to the Art Institute on Saturday. It charts his stylistic breakthroughs and influence on early 20th-century continental designers, and includes reconstructions of some of his interiors. The show moves to Los Angeles in August.

BERLIN

Julia Varady makes a welcome return to the operatic stage on Thursday, singing the part of Senta in a new production of Wagner's *Der Ring des Nibelungen* at the Deutsche Oper. Varady, one of the leading sopranos of our time, has not sung in a stage production since last summer, when illness forced her to cancel her engagements.

WASHINGTON

The National Gallery of Art has mounted a large-scale exhibition of Picasso's early work, ranging from his formative early years in Barcelona to the monumental figure pictures he painted after settling in Paris in 1904. The exhibition opens on Sunday and runs till the end of July.

LONDON

A special memorial concert for German composer Berthold Goldschmidt (left), who died in London last October aged 83, will be given on Thursday at the Wigmore Hall, featuring Gervase de Peyer, Chantal Juliet, Kolja Lesing and other distinguished soloists. On Maundy Thursday Ian Holm (left, with David Burke) - in the 1980s, a central member of the young Royal Shakespeare Company - returns after many years to playing Shakespeare, as King Lear, at the Cottesloe Theatre. The director is Richard Eyre; the cast also includes Timothy West, Michael Bryant, and Barbara Flynn.

The Orient moves west to Big Apple

Susan Moore finds all the top dealers and collectors at the second International Asian Art Fair in New York

Never before can there have been such a rich concentration of world-class Far Eastern, Indian and south-east Asian works of art on show and up for sale in a single city. It is unlikely, too, that there has been so many of the world's specialist dealers, collectors and museum curators in evidence to buy and sell, see and be seen.

At a roughly estimated \$250m worth, the spectacle drawing the crowds is the International Asian Art Fair, at the Seventh Regiment Armory on Park Avenue until Wednesday. Although only in its second year, it has become the established focal point for a season of auction sales and dealer exhibitions. At the beginning of the week, Sotheby's and Christie's previews for the Asian auction were deluged; and the gallery temporarily rented on East 78th Street by the London-based dealers Eskenazi for an exhibition of Han and Tang dynasty Chinese ceramic sculpture, the most magnificent of the dealer shows, was crammed.

Eskenazi sold nine objects for a total of \$1.8m that night, plus additional pieces on show upstairs. Two days later, Christie's Part 1 sale of the Jinguant collection - formed by the Hong Kong businessman and philanthropist T.T. Tsui, the sponsor of, among other things, the Victoria & Albert Museum's new Chinese gallery - fetched over \$2m, nearly \$4m. The first thing to arrest the eye at the Armory fair which opened on Friday was a life-size five-figure

group of 13th or 14th-century vividly painted stucco Chinese temple figures on the stand of London dealers Speelman, and with a price tag of \$4.2m. More discreet were the six pieces of rare, early Chinese lacquer from a collection of 19 on offer by R.H. Ellsworth for a cool \$11m.

Any visitor might well reel at the quantity and quality - and the remarkable breadth - of the works of art on offer in Manhattan: ceramics and sculpture, metalwork and textiles, paintings and prints, Chinese, Japanese, Indian, Tibetan, Gandharan, Korean, Ottoman, Khmer. But this week also marked the shift to New York of the Oriental art market from its traditional base in London.

For while London still has the pre-eminent expertise in terms of its dealers, it is New York that has the buyers, and it is New York where sellers and buyers are increasingly choosing to conduct their business as the proposed "harmonisation" of VAT on imports of works of art into the EC promises to hammer the final nail into London's international art-market coffin.

At the Armory fair the group of 58 exhibitors, drawn from nine countries, embraces most of the leading dealers in the west, and some in the east; and over a third have come from London. Last year, exhibitors sold between a quarter and three-quarters of their stands, American museum trustees spent millions, and the London trade appears to have



At Eskenazi's 'Ceramic sculpture from Han and Tang China', three earthenware kneeling figures, possibly mummies, from the Western Han period (206 BC to 9 AD)

decided that its success is more likely to lie in New York in March than in London in June. Giuseppe Eskenazi, one of the trade's most respected dealers, believed he would never hold a show outside London. But, if ever faced with a shortage of top quality material for gallery shows in both London and New York, he is now saying that he would sacrifice London, "which is a terrible, terrible thing to say after 37 years". Some have crossed that bridge already. The show Sidney Moss planned to stage in London this summer is now here in Armory. And it is not only the dealing expertise that is imported; the fair's organisers, Brian and Anna Houghton, come from Britain.

Earlier this century, London boasted the great collections of Oriental art and produced several of the most distinguished scholars and dealers through its position as the clearing house of world art. "The last great collectors in Britain were gone by the 1950s," says Eskenazi. "They have not been replaced" - although, remarkably, three of

the archaic bronzes in the Jinguant collection were bought by London dealer Roger Keverne for an English collector for over \$2m. From then on, interest moved to the US and now there are more Asian art museums or museum collections in America than in the whole of Europe.

In the late 1970s and early '80s, the Japanese began to nibble western collectors in certain areas, and since then collectors from Hong Kong and Taiwan have risen in tandem. New York, however, remains the pre-eminent market place for, say, archaic Chinese bronzes, pottery figures and other tomb art, and for classic Ming and Qing period Chinese furniture - and it is not only for westerners. One of the fair's 15 new exhibitors this year is Uragami Sokyo-Do from Tokyo. "The domestic market in Japan is very good," says Uragami, "and most dealers only leave Japan to buy. I'm the only dealer trying to sell abroad. New York is becoming more and more the centre of this market."

The fair is the effect rather than the cause of a rising New York market. Christie's and Sotheby's auctions last autumn realised an unheard of \$66m. A record \$8.4m was paid for a Korean jar, and over \$11m was raised by the sale of the most important collection of classic Chinese furniture ever to come to the block - a collection from Renaissance, California which has given the term "post-Renaissance" a confusing new slant - and both areas are, in auction-speak, hot.

Dealer Nicholas Grindley reported that 60 per cent of the furniture he was bringing to New York was reserved even before it arrived here. "A year or so ago," he observes, "the new rich players were from Hong Kong and Singapore. Now they seem to be from Wall Street and previously collecting antiquities and modern art."

More and more buyers of works of art are beginning to realise that Asian art, or at least some aspects of it, offer unparalleled opportunities for buying museum-quality works of art at prices which, however high, are a fraction of the prices of their western equivalents.

Mar 26, 27

NEW YORK

EXHIBITION MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400

● De Kooning in the Eighties: the paintings made during the 1980s by American artist Willem de Kooning constitute a largely unknown chapter in his career. With the exception of a small number of works shown in museums and galleries during the past decade, few of the paintings of the artist's final creative years have been seen by the general or even specialised art public. This exhibition contains about 40 paintings made between 1981 and 1987 chosen from public and private collections; to Apr 29

OPERA Metropolitan Opera House Tel: 1-212-362-6000

● Eugen Onegin: by Tchaikovsky. Conducted by Antonio Pappano, performed by the Metropolitan Opera. Soloists include Marina Shaguch, Clifton Forbes and Paul Plishka; Mar 27

PARIS CONCERT Salle Gaveau Tel: 33-1 49 53 05 07

● Peter Frank: the pianist performs works by Brahms, Schubert and Debussy; Mar 26

● Philharmonia Orchestra: with conductor Esa-Pekka Salonen

LOS ANGELES

EXHIBITION Los Angeles County Museum of Art Tel: 1-213-857-8000

● Galanos: retrospective celebrating the 40-year career of Los Angeles-based designer James Galanos, whose construction techniques and finishing details are of the highest standards of French haute couture. The exhibition highlights 68 costumes mounted on custom-designed mannequins, which are shown along with original sketches and samples of the bead-work for which the designer is known. Galanos has received every major design award; to May 4

MADRID

EXHIBITION Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4575082

● Robert Motherwell: exhibition featuring 80 works selected from American and European collections and including large paintings on canvas, collages and drawings; to May 5

MILAN

CONCERT Teatro alla Scala di Milano Tel: 39-2-58781

● Coro del Teatro alla Scala: with conductor Roberto Gabbiani perform works by Vacchi;

Jahrhunderthalle Hoechst Tel: 49-69-3501240

● Das Städtische Kunstinstitut und das Museum für Moderne Kunst im Dialog: a joint exhibition of contemporary art organised by the Städtische Art Institute and the Museum für Moderne Kunst, Frankfurt. Artists with work on display include Bayes, Giacometti, Klein, Slonimski and Uecker; to Apr 13

LONDON

AUCTION Bonhams Tel: 44-171-3933900

● Fine Portrait Miniatures: sale including works by Charles Robertson, Nathaniel Horne, Johann Heinrich von Hurter and William Cruickshank; Mar 25

CONCERT

Barbican Hall Tel: 44-171-6384141

● Mitsuko Ochiai: the pianist performs works by Berg, Schumann and Beethoven; Mar 26

DANCE

Royal Opera House - Covent Garden Tel: 44-171-2129234

● La Bayadère: choreographed by Natalia Makarova after Petipa to music by Minkus, performed by the Royal Ballet. Soloists include Miyako Yoshida and Irak Mukhamedov; Mar 26

Staatskapelle Berlin: with conductor Daniel Barenboim and violinist Itzhak Perlman perform works by Schoenberg, Stravinsky and Schubert. Part of the Festtage 1997; Mar 26

OPERA

Deutsches Oper Berlin Tel: 49-30-3438401

● Aida: by Verdi. Conducted by Stefan Soltesz, performed by the Deutsche Oper Berlin. Soloists include Ute Walther and Vladimir Bogachov; Mar 26

Kölnische Oper

Tel: 49-30-202600

● Hoffmanns Erzählungen: by Offenbach. Conducted by Waigle and performed by the Kölnische Oper. Soloists include Schellenberger, Wulkopf and Nicolascu; Mar 26

DUISBURG

EXHIBITION Wilhelm-Lehmbruck-Museum Tel: 49-203-2832630

● Richard Long: exhibition of work by the English artist, including four of his large floor sculptures made from natural materials such as driftwood and a number of works on paper; to Mar 30

FRANKFURT

CONCERT Alte Oper Tel: 49-69-1340400

● The Schubert-Okett and Forcellinifetti: accompanied by pianist Zoltán Kocsis perform works by Schubert; Mar 25

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-6718345

● Mathiaspassion: by Bach. Conducted by Thijs Krumer and performed by KCOV Excelsior, the Amsterdam Promenade Orkest and the Zaans Jongenskoor. Soloists include Marten Smeding, Nainco de Vries, Karin ten Cate and Myre Kroeze; Mar 24, 25

ANTWERP

DANCE deSingel Tel: 32-3-2483800

● What the Body does not Remember: choreographed by Wim Vandekeybus to music by De Mey and Vermeersch, performed by Ultima Vee; Mar 25, 26, 27, 28

BERLIN

CONCERT Philharmonie Berlin - Grosser Saal & Kammermusikkessel Tel: 49-30-2614383

Theatre/Alastair Macaulay

Out of Africa on Cloud Nine

In the Old Vic's new production of Caryl Churchill's *Cloud Nine*, the acting is superlative and the play enthralling. Only last week, I wrote with some misgivings about the new Peter Hall repertory company: it is a pleasure to write of this, its second production, with unalloyed delight. Three of the seven actors are also in the company's first production, *Waste*; one part of the fun of watching *Cloud Nine* is in seeing them here in such dissimilar roles. The director is Tom Cairns.

Cloud Nine, new in 1979, is a most peculiar play. It seems at first far more jejune than it proves, and it keeps changing. Act One is a hilarious caricature of Victorian colonial household in Africa. Harry to Betty, his best friend's wife: "You have been thought of where no white woman has ever been thought of before." Betty: "I suppose that's one way of having adventures." Even the most adolescent jokes are funny, and the top-speed soap opera of its rapidly unrolling plot is so magnificently ludicrous that it reminds one of *Soap* itself.

Before the interval, Churchill has shown you a great deal of what she can do. She set out to illustrate the parallel between colonial and sexual repression, but long after you have got that point she still has you on tenterhooks. The mixture of reality and absurdity is very fine; the narrative twists are ingenious; the characters grow steadily more multi-dimensional; and there is just enough telling detail to make us care.

In Act Two, however, Churchill gives you another play altogether: a basically serious modern story - ever so *Brookside*, really - which expresses female and sexual liberation, but which, again, keeps deepening and varying its approach. It is shot through with mystery; it proceeds with dreamlike fluency, and, most beautifully, it allows each character, even while he or she grows more complex and more poignant, to remain an unanswered question.

In an odd way, Churchill's play dramatises the Whig theory of history: although she does not make her modern characters any more happy than her Victorian ones, she does make us feel that they have more opportunity for self-discovery.

The seven actors, playing two contrasting roles each (in one case, three), make every dimension of the play

marvellous. In each act, one or two roles are played on *travest*. When a male plays the Victorian Betty, we see (in the first minute) that this "feminine" character is a male construct; and yet Dominic West's performance shows not just repression but also force. The way that he/she, lowering his head and batting huge Bamhi eyes in Princess Diana, stalks Harry, aflame with desire, catches every level of Churchill's satire. Betty's little son, however, is played by a girl; and Janine Duvitski's wide-eyed innocent/malicious performance shows, just as richly, how much enforced male role-playing actually prompts feminine impulses to erupt. In Act II, Tim McInnerny plays Cathy, a huge, irrepressible, gawky girl; and the gleeful violence with which he makes this tomboy real is wholly intoxicating.

Andrew Woodall makes Harry - the great explorer (in every sense of the word) - perhaps the most touching character in Act One. Though sexually embroiled with men, women and children, he is guilty, vulnerable, noble; and this heightens the comedy. Marlon Bailey plays three different kinds of women who do not need men, two of them lesbian, and ideally judges the anguish and absurdity in each. I hope I never forget the aggression with which Clare Swinburne, as Betty's Victorian mother, clouts her granddaughter's doll ("just a little smack"); or the rounded, divided, nature she presents as Victoria in Act Two. Or the soliloquy about sexual desire spoken by Duvitski as Victoria's mother. Stephen Noonan plays the most enigmatic role in either act - a native servant, and a gay lover - and his inscrutability at every moment is perfect.

Detail upon detail enchants. The way the native servant Joshua gets little Edward's doll; and the way Edward, as if hypnotised, watches him do it. There is a sex scene for a man and two women so lifelike - amusing, crazy, ardent, touching - that I wanted to join in. (Instead, another male character does.) "I want you to have the rolling orgasm I give to other women," Victoria's husband Martin says to her, with enough anger to make anyone frigid. In everything here, contradictions of feeling and character and desire are wittily and movingly memorable.

In repertory at the Old Vic, SE1.

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00 FT Business Morning

10.00 European Money Wheel Nunstrop live coverage until 15.00 of European business and the financial markets

17.30 Financial Times Business Tonight

CNBC:

08.30 Squawk Box

10.00 European Money Wheel

18.00 Financial Times Business Tonight

Outsider in Moscow

John Thornhill on the appointment of Boris Nemtsov, a provincial politician, to the Kremlin's new reformist team

It took a lot of effort to persuade Mr Boris Nemtsov, the youthful governor of Nizhny Novgorod, to join the Russian government last week. The ambitious politician, often labelled as a future presidential candidate, was understandably reluctant to leave his cosy seat in one of Russia's more prosperous regions for the maelstrom of Kremlin politics.

The trade unions' threat to bring 20m Russians out on the streets this Thursday to protest about the government's late payment of wages and pensions can only have added to his doubts.

But the bulldozing charm of Mr Boris Yeltsin eventually prevailed. And so Russia's most popular reformer agreed to risk his reputation by becoming first deputy prime minister in charge of a politically explosive portfolio, including housing, social welfare reform and the regulation of the country's natural monopolies.

"I perfectly understand that my duty is that of a kamikaze pilot," Mr Nemtsov says in his characteristically sardonic style. "But fortunately not all kamikaze pilots are killed instantaneously."

As any calculating politician would have done in the circumstances, Mr Nemtsov wrung some significant commitments from Mr Yeltsin, including the promise of unrestricted access to the president, as well as his full and public support. The suspicion is that if Mr Nemtsov succeeds and the economy turns, he will be in a position to demand even more of the Russian president in future.

On a tour of the US four years ago, Mr Yeltsin hinted that Mr Nemtsov was his preferred heir. Many of Russia's democrats tried to press Mr Nemtsov into running in last year's election; they would surely rally round again in 2000, assuming he survives until then and decides to stand.

The curly-haired, 37-year-



Nemtsov: political verve

old Mr Nemtsov joins a government formally headed by Mr Victor Chernomyrdin, the stolid prime minister, who once worked under Mr Nemtsov's father in one of the Soviet industrial ministries.

In practice, the critical axis in the government will be Mr Nemtsov's relationship with Mr Anatoly Chubais, 41, the standard bearer of economic reform and former head of the presidential administration, who was earlier this month appointed as the other first deputy prime minister.

The puritan edge to his character should also play well among a population straining under five years of economic contraction.

Some observers have seen the appointment of two such ambitious young ministers as a classic example of Mr Yeltsin's divisive style of politics, purposefully designed to create tensions within his team.

But Mr Otto Latsis, political commentator for the *Izvestiya* newspaper, disagrees, arguing that Mr Nemtsov's arrival in government bolsters Mr Chubais's chances of successfully implementing reform.

"Although Chubais lost his promise that he would be the sole first deputy prime minister, it is clear that Nemtsov is being included in the team not as a counterweight but as a partner," Mr Latsis says.

Mr Chubais has persuaded Mr Yeltsin to promote a team of young liberal ministers to more senior roles, lowering the average age of Russia's deputy prime ministers from 54 to 45 and giving the government its most reformist tinge since 1993.

More "surprises" are promised before the government restructuring is complete. With a reputation for the flamboyant gesture and a piercing wit, Mr Nemtsov should bring some much-needed political verve to the largely technocratic government team. He has been the toast of liberal Russia ever since a television debate last year when he squared up to Mr Vladimir Zhirinovskiy, Russia's ultra-nationalist, after being doused in orange juice.

The puritan edge to Mr Nemtsov's character should also play well among a population straining under five years of economic contraction. Vowing publicly he would never steal, take bribes, or lie to the people - a clear sideswipe at some former and present government colleagues - Mr Nemtsov says: "When life is miserable for most people, it is not proper for the rulers to wallow in riches."

Mr Nemtsov's record in running his industrial region, 400km east of

Moscow, suggests he will be a highly dynamic, hands-on manager in government. He played an active role in attracting foreign investors to his region, often giving executives his home telephone number to call in case they ran into bureaucratic difficulties.

With the help of the International Finance Corporation, the investment arm of the World Bank, Nizhny Novgorod became the very model of successful economic reform, leading Russia in privatising small businesses and undertaking agricultural restructuring.

He strongly encouraged the growth of the private sector and claims Nizhny Novgorod now has 100,000 private firms employing 20 per cent of the workforce.

His experience of local housing reform and his close ties to other regional governors should prove invaluable in attempting to cut Russia's bloated housing subsidies. His status as an outsider should also help him cut through the web of entwined economic interests which have hindered the government's attempts to tackle the country's powerful gas, electricity, and railway monopolies.

Some Kremlin insiders may be tempted to dismiss Mr Nemtsov as a naive provincial who will be eaten alive in Moscow. His reputation for being occasionally authoritarian and impulsive may also prevent him from building the institutional support that will be essential to implement change.

But Mr Nemtsov has been busy encouraging members of the liberal *Yabloko* faction, headed by his friend Mr Grigory Yavlinsky, to join him in government, giving him additional allies to fight his bureaucratic battles.

Mr Nemtsov might reflect that the challenges of civilising Russia's wild capitalism are immense and his chances of success correspondingly slim. But the consequences of failure are frightening to contemplate.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be sent by e-mail to letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Norwegian salmon producers have abused their relations with the EU

From Mr Phillip Thorn

Sir, In your article "EU likely to impose duty on dumped Norwegian salmon" (March 19) you quote a European Union trade official as saying the fish processing industry is likely to lobby against such a duty as it wants an abundance of cheap fish.

They cannot be serious. What the EU processing industry requires is a sustainable and abundant supply of competitively priced salmon. Norway clearly has a role to play in providing that.

However, we are all kidding ourselves if we pretend that such long-term, stable supplies can be built on short-term producer subsidies and dumped Norwegian salmon.

That is the message that should be coming from the salmon processors in Denmark and Germany (and indeed would be, were many not owned by Norwegian interests).

The European Commission has diligently researched and responsibly reported on the position in Norway.

Its research demonstrates clearly that Norway has broken the rules and has taken advantage of the special trading relationship it enjoys with the EU to dump produce.

Having proved the case, the Commission must now act to impose a duty to

restore a fair and free market.

A duty of 13-15 per cent is being discussed. At that level it would mean only a 3 per cent increase in the price of salmon products at the retail level - a small price to demonstrate that the EU market works for its members, not as a cosy club but as an arbiter and enforcer of fair, free-market principles.

Phillip Thorn, chairman, Scottish Salmon Growers Association, Drummond House, Scott Street, Perth PH1 5EJ UK

Specialised management skills are the key to success in conglomerates

From Mr Andrew Campbell

Sir, Peter Martin's spirited "Case for conglomerates" (March 20), is built on a belief that good managers can manage anything. They cannot, as the daily failure of diversification strategies demonstrates.

The explanation for old Hanson or old BTR, for Virgin or GE, for Granada or ABB is not "good management". Each manages in a

dramatically different way. If you put Jack Welch in charge of Virgin or Branson in charge of ABB, the results would be catastrophic. These conglomerates have been successful because they were built around specialised corporate-centre skills.

The bad conglomerates, the ones that need to break up, have no specialised corporate-centre skills. Unfortunately, despite Mar-

tin's belief in the market, there are large numbers of these over-diversified companies, as demonstrated by the current break-up epidemic.

Andrew Campbell, director, Strategic Management Centre, 17 Portland Place, London, W1N 3AF UK

Kazakh prime minister central to changes in the structure of state-run enterprises

From Mr Amirzhan Kosanov

Sir, After reading Charles Glover's article on reforms of state-run enterprises in Kazakhstan ("Kazakhstan sets up 'one-stop shop' for foreign investors", March 6), I would like to comment on a number of issues.

Structural changes to state management bodies form part of this initiative, and involve the prime minister,

Mr Akirzhan Kazbegeldin. It is incorrect to talk of an ending of his influence.

The newly created Kazakh Oil company is one of many companies working in Kazakhstan, and its establishment as part of changes to state management bodies should not be considered extraordinary. It corresponds to market develop-

In 1995 Kazakhstan adopted the 1994-96 Government Action Programme for the Deepening of Reforms, which has been approved by the world's leading financial institutions. All current structural changes come under this programme.

Amirzhan Kosanov, press secretary in the prime minister of Kazakhstan

Uncertainties abound over telecoms deal

From Mr Eric Simonson

Sir, As a whole, I could not agree more with your summary of the World Trade Organisation telecoms accord ("New pact must be protected", March 19).

However, your report neglected to emphasise adequately the sheer complexity of the accord. The 99 signatory nations submitted 55 schedules outlining their individual "commitments" to detail. These vary considerably, not only in scope but in the timeliness for implementation. Some nations reserved the right to modify their schedule.

Finally, the commitments are in many respects rather vague. Such as promises to adopt regulatory structures consistent with a document setting forth general principles, known as the reference paper. While the accord promises to unleash an explosion of economic activity, it remains to be seen exactly how it will be implemented in practice.

Eric Simonson, Kronish, Lieb, Welser & Helman, 1114 Avenue of the Americas, New York, NY 10036-7736, US

Warning sign

From R. A. Ledingham

Sir, There was a recruitment advertisement in the Financial Times of March 21 which featured the headline "LLB, MBA, ACA, VC - It is all corporate finance to us". The last time corporate finance consultants started making such cross state-ments was about two years before the wheels fell off.

R. A. Ledingham, The Old Hat, Prenton Road, South Wirral, Merseyside, CH61 4LN UK

The FT Interview • Tommaso Padoa-Schioppa

New broom for bourse

The head of Italy's stock market watchdog outlines his plans to Robert Graham

The discreet aloofness of the Bank of Italy is a world apart from the rough and tumble of the bourse. But a fascinating meeting - and perhaps clash - of the two cultures is about to take place.

Mr Tommaso Padoa-Schioppa, the deputy director-general of the bank, takes over next month as head of Consob, the Italian stock market watchdog. It is an imaginative appointment for one of the most influential intellectual figures in European central banking, and raises expectations that the authorities will at last tackle a crucial area of the Italian financial system that urgently needs a shake-up with better regulation.

In spite of the 57-year-old central banker's prestige, his task will not be easy and he did not accept the job lightly. Until now he has been working in a relatively protected environment with politicians and businessmen at arm's length. Running Consob will shove him into the public eye and could pit him against the tight knit world of the *salotto buono*, the Milan-based financial establishment.

The Milan bourse, he believes, suffers from a lack of confidence among investors, which creates a vicious circle. "Lack of confidence makes markets difficult to use, both for demand (investors) and supply (companies) using the markets for fund raising," he says. "The higher the volume of trading, the greater the liquidity of the market; while the lower the volumes, the less liquid the market and therefore less transparent and therefore less room for malpractice."

In spite of the passage of laws on takeovers and insider trading since 1992, the bourse has not shaken off its reputation as a fiefdom of an inward-looking financial community that treats small shareholders shabbily. In a recent speech



Tommaso Padoa-Schioppa aims to target insider trading

Mr Padoa-Schioppa highlighted the concentration of share ownership and the illiquidity of most quoted companies. Three-quarters of all dealing involves the main 30 companies.

Cracking down on insider trading is a key component of reform. But he believes this must be accompanied by tightening up on disclosure, educating public opinion, eliminating bureaucracy and exerting greater regulatory control in a more liberal environment. At the same time the authorities must provide a competitive tax environment for investment on the stock exchange.

He talks of Milan as being a "second tier" bourse. In each of the world's three time zones, he believes there is space for only one top level centre. "London plays this role in Europe in view of its long tradition as a financial centre," he says. In the second tier he sees room in Europe for four to six centres, the main ones being Frankfurt and Paris. "We must ensure Italy plays its best cards in this respect."

Until now, Milan has under-utilised its potential. But he believes it can benefit from the strong savings

record of Italian families which have traditionally invested in treasury bonds. In an increasingly secure society people want to rely less on this type of investment and look for equity returns.

Also, he observes: "Financial markets are drawn by supply more than by demand - Italy created a big debt market as it needed to fund the public sector deficit. Why should the programme of privatisation not stimulate the bourse?"

Mr Padoa-Schioppa's experience of financial regulation is considerable, though so far largely in banking. He chaired the Basle Committee (of central banks) on banking supervision, and creating the Target clearing system - "one of my babies".

However, in his role at the central bank, he has become Italy's leading authority on derivatives trading. This background makes him convinced that banks are in many ways easier to supervise than financial markets. The challenge in supervising financial markets is that they are much more "elusive" since they can be privately controlled and have strong "local connections".

Although he is too much of a public servant to express regret, Mr Padoa-Schioppa gives the impression he will miss the formative role he has played in European Union economic and monetary policy. From 1979-83 he was director-general of economic affairs with the Brussels Commission. Subsequently he acted as secretary of the Delors Committee preparing the technical details on economic and monetary union (Emu) for the Maastricht treaty.

His commitment to European integration is not just professional. Mr Padoa-Schioppa is also a firm believer, a point underlined by his recent book *The Road to Monetary Union*.

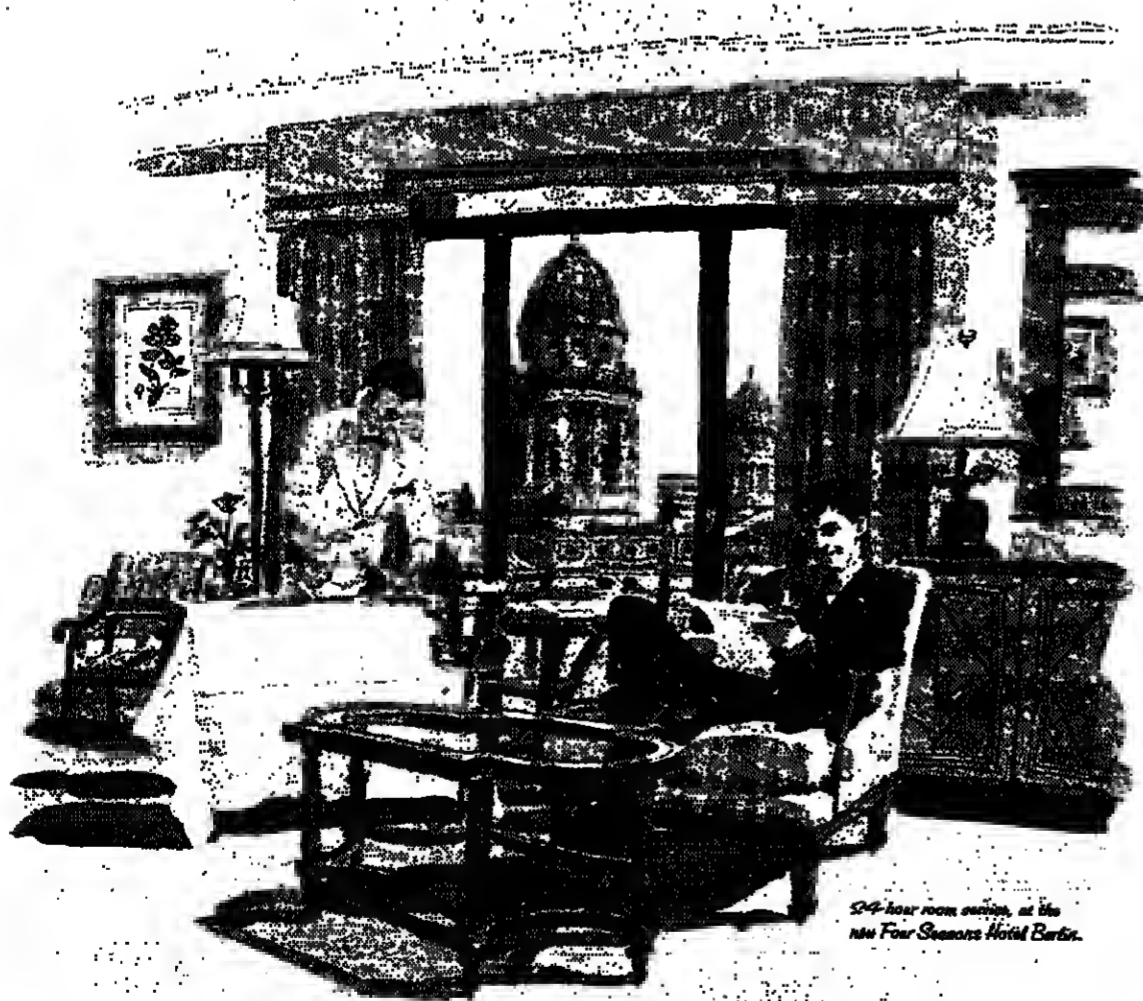
"He believes monetary union will go ahead on schedule even though it is not past the point of no return. 'If Emu is on schedule, the integration of financial institutions will be far more far-reaching than people imagine,' he warns.

Acceptance of the Consob post probably means a premature end to Mr Padoa-Schioppa's central banking career which began in 1968. He is resigning from the Bank of Italy and is unlikely, as previously seemed mapped out, to take a place on the board of the European Central Bank. This has led some commentators to complain that his talents, especially his inside knowledge of the Emu process - are being squandered.

However, as an MIT-trained economist and with a record of impartiality as a civil servant, he offers the moral authority necessary to underpin the successful operation of Consob. He has the stature to tighten up on stock market regulation in the same way that Mr Giuliano Amato, the former Socialist premier, has overhauled competition policy since taking over the anti-trust authority.

His attributes will be much needed if, as planned, Italy carries out Europe's largest privatisation programme over the next three to five years. The Bank of Italy's undoubted loss should be the stock market's gain.

The hotel accompanying Berlin into the 21st century offers more than a few elegant reminders of earlier ones.



549-hour room view, at the new Four Seasons Hotel Berlin.

The gold standard for travelers in four corners of the world has arrived in the historic centre of Berlin. Intimate in scale (only 204 rooms), the newest Four Seasons Hotel abounds with comforts—from huge marble-clad bathrooms to one-hour clothes pressing, to a gracious staff that can prepare a luscious meal in the privacy of your room. What's more, like every Four Seasons Hotel in the world, we offer such comforts 24 hours a day. Overlooking historic Gendarmenmarkt Square, we're steps away from the Brandenburg Gate on Unter den Linden, and conveniently situated near the future centre of government. Call your travel counsellor or 930-5019 about the new hotel in the heart of Europe's fastest-growing business centre.

FOUR SEASONS HOTEL
Berlin
A FOUR SEASONS RESORT HOTEL

CHARLOTTESTRASSE 40, 10117, BERLIN, GERMANY. TEL: 49-30-20 33 6. FAX: 49-30-20 33 61 66 VISIT OUR WEB SITE: www.fshr.com

© 1997 Four Seasons Hotels Limited

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday March 24 1997

Soothing the bear

Triumphalism is not in order. But last week's US-Russian summit in Helsinki was in fact a triumph for President Bill Clinton. In managing relations with Russia his administration has, after many understandable hesitations and contradictions, got it just right.

Although, like former president Franklin D. Roosevelt, Mr Clinton appeared in a wheelchair, this summit was no Yalta. Indeed it was Yalta in reverse. Instead of conceding a Russian sphere of influence, Mr Clinton preserved the right of central and east European countries to join alliances of their choice. Adroit stage management on both sides made it look like a triumph for President Boris Yeltsin, but in reality the US gave little or nothing away.

Mr Clinton repeated NATO's December statement that it has "no intention, no plan and no reason" to deploy nuclear weapons on the territory of new member states, and does not foresee any future need to do so. Reference to this is to be included in a document to be negotiated with Russia, but that document will not be a binding treaty.

Mr Clinton also accepted the principle of a "Start III" agreement which will bring the US nuclear arsenal down to de facto as well as de jure equality with that of Russia, while allow-

ing the Russians four extra years to dismantle the warheads they already agreed to scrap under Start II. In a sense this means paying twice for the same Russian concession. Still, this will be a good deal for the west - indeed for the world - if it can be implemented. Russia's nuclear stockpile is now a source of danger almost irrespective of any hostile Russian intent. There is a vital global interest in seeing as much of it as possible destroyed under controlled and verifiable conditions.

Finally, Mr Clinton promised to help speed Russia's entry into various international bodies. But this is happening anyway, and can only be welcomed so long as Russia meets the entry criteria and respects the rules of those bodies that have them, such as the World Trade Organisation. As for the G7, it is essentially a talking shop. To call its annual summit "the summit of the eight" will not make a great difference, since Mr Yeltsin already attends the political part of the discussions.

These are small prices to pay for retaining Russia's goodwill and co-operation in the management of European security, where its ability to cause trouble, but also to contribute constructively when it so chooses, remains considerable.

Banking risk

The Bank of England's new framework for banking supervision, presented for discussion today, is a clear step forward. Its success will depend, however, on how it is implemented - and, in particular, on the Bank's steadfastness of purpose in handling difficult issues.

The new approach focuses on the inherent riskiness of individual banks' operations. Riskier banks will be reviewed more often. There will be a more systematic assessment of seven different types of risk, including the inherent riskiness of a bank's business. There will be more on-site visits, and talks with a wider range of bank staff. A business unit responsible for more than 5 per cent of a bank's revenues or profits will be given more detailed study. And throughout, there will be a strong emphasis on the quality of internal controls.

The critical question is how far this new system will prevent another Barings crisis, or another Bank of Credit and Commerce International (BCCI). Barings's Singapore operations, run by Nick Leeson, which brought the bank down, would be identified by the new approach as a unit significant enough to deserve detailed study. A Bank team, using this framework, would probably have visited Singapore. There, its focus would have been on internal controls, which the most cursory inspection would have revealed as inadequate.

So far so good. But in other respects the new system will be only as effective as the urgency and commitment of the Bank's most senior staff allow it to be. The lessons of Barings and BCCI are more uncomfortable here. Barings's ability to ship its entire capital to Singapore was made possible by the supervisors' plodding handing of its request for special treatment under the consolidation rules. In the case of BCCI, many of the bank's weaknesses were well known to the supervisors. What was lacking was the will to tackle them forcefully at an early stage. Despite the formidable array of legal powers at its disposal, the Bank remained fearful of using them. Improved techniques for identifying risks will pay off only if they are accompanied by a commitment to act on their results.

In fairness, this will never be easy. Real-life banking crises often involve tricky issues of judgment, where supervisors must also take into account the unblemished reputation of an institution (as at Barings) or the diplomatic complexities of its status (as at BCCI). As the Bank of England has always argued, banking supervision is more than the application of a checklist or formula. That does not mean a more systematic approach is not helpful. But as the Bank well knows, it must be employed with firmness of purpose and urgency of action.

Tobacco ethics

Tobacco is unique. It is the only consumer product which, used as the manufacturers intended, kills. This makes it different from alcohol - which in limited quantities may even be beneficial to health - or to cars, or to any of a range of everyday products which when abused can have lethal effects. Use of tobacco, as intended, damages health. Full stop.

The industry has known this for decades. The first clear link between smoking and lung cancer was established in the US and England in 1950. By the mid-1960s, the evidence was incontrovertible. As the Liggett settlement with 22 US states makes clear, it has also known for years that nicotine is addictive.

Yet it has continued in its denial, continued to market its product, and continued, most pointedly, to promote it to the young, desperate to renew the diminishing pool of smokers in western countries.

This raises serious issues of business ethics, which are not unique to the tobacco industry. Asbestos producers covered up the ill-effects of blue asbestos until medical evidence, allied to product liability actions, made their position untenable. Pharmaceutical companies, in areas such as birth control devices or heart drugs, have had to decide when unexpected side-effects from their products require withdrawal.

In these examples, governments have accepted their responsibilities more clearly than over tobacco. They have set exposure controls for asbestos and licensed pharmaceuticals. The companies, in the main, have learnt that bad ethics is bad business. But over tobacco, the income stream from taxation has warped governments' judgment on such issues as advertising and promotion.

More recently, that has been changing. But so far, concern over tobacco has been largely restricted to the west. In response, the industry has focused its attention on the young people of the developing world. As a result, the World Health Organisation predicts that tobacco will be causing 7 million premature deaths a year by 2020 in less developed countries. It would be cynical for western governments to reach settlements with the industry which allow that approach to continue.

Tobacco cannot be banned. But its marketing can be controlled. And if that means the long-term future of the industry becomes bleak, it is an important lesson in the law of consequences. Those who market tobacco - or the sweet-flavoured "alcopops" - to impressionable young people should remember that, in the end, bad ethics will always be bad business.

Waiting for inflation

The US Fed is sooner or later likely to make a pre-emptive strike against anticipated price pressures, argues Gerard Baker

It has been called variously the Super-Duper Economy, the Goldilocks Economy, the New Paradigm. Even Mr Alan Greenspan, the Federal Reserve's dour chairman, who is not disposed to colourful prose, was moved last week to call it "close to unprecedented".

For the past few years the US, unique among the world's leading economies, has enjoyed an extraordinary record of robust growth, rapid job creation and near record-low unemployment. Yet still it has produced almost no sign of the inflationary pressures that have accompanied such a sustained expansion in the past.

How long this benign equilibrium can continue will be the critical question on the minds of the 11 voting members of the Fed's policy-setting open market committee, meeting for their second session of the year tomorrow.

If they believe the brave new world is here to stay, they will leave short-term interest rates unchanged, at least for another couple of months. But if they take the view that this economic nirvana is a transient phenomenon and that growth is now so strong it will soon spark a blaze of inflation, they will have little choice but to raise interest rates for the first time in more than two years.

Next week, the expansion will celebrate its sixth birthday. It is already the third longest in US history and shows no sign of abating. In the past six months the pace of expansion has accelerated sharply.

US consumers have shaken off their recent pessimism, and are more bullish about their current circumstances than they have been for 27 years, according to one survey.

That exuberance has spilled over into higher spending. Retail sales in the first two months of the year rose at a real annual rate of more than 7 per cent from the last quarter of last year. Although the stock market has stumbled in recent weeks it is still 30 per cent higher than it was a year ago. Capital investment is expanding rapidly.

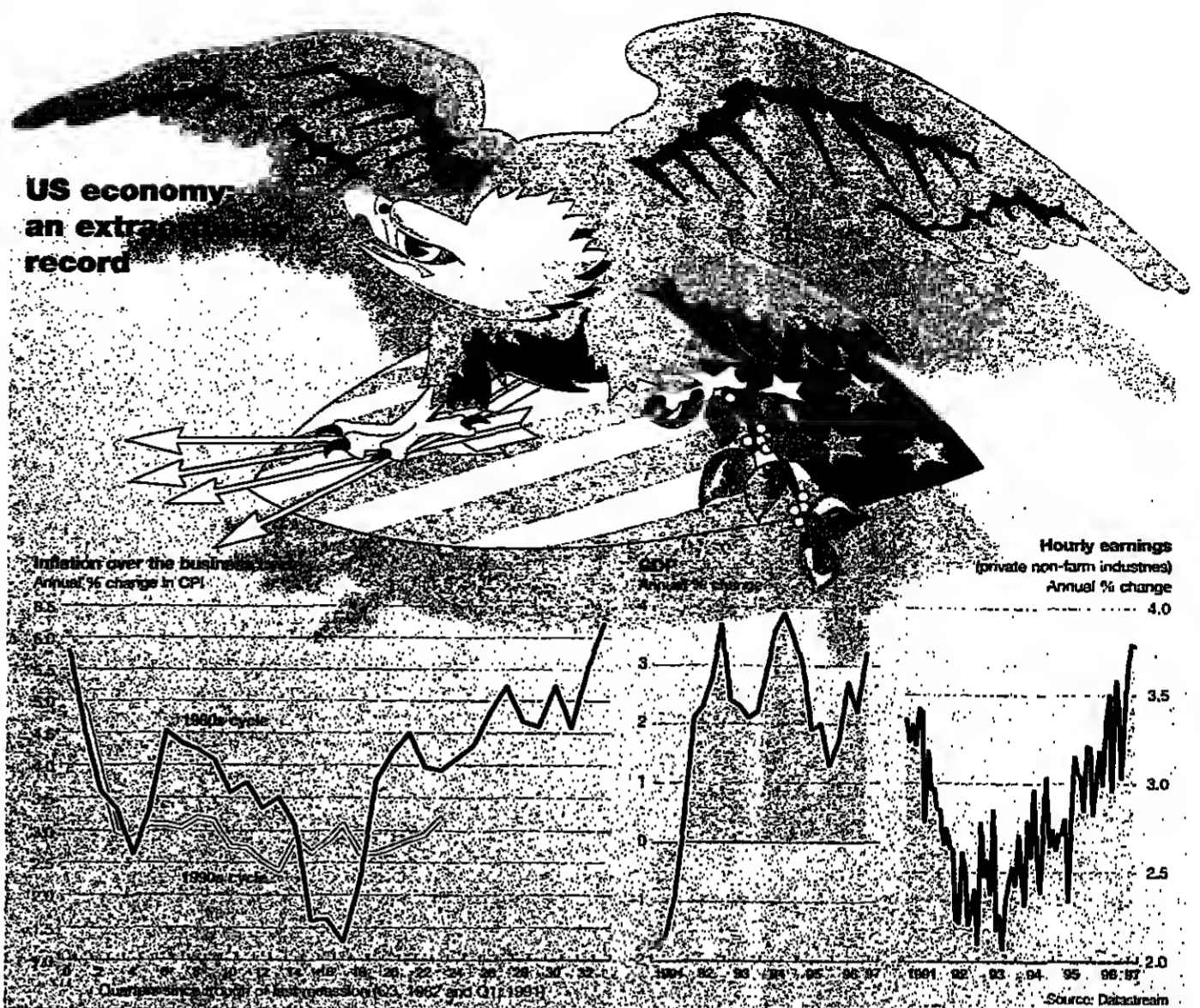
The continuing strong demand has pushed unemployment to near record lows. The jobless rate, currently 5.3 per cent, could well fall further in the next few months.

When the final data for the first quarter of this year are published next month, they seem certain to put the annual growth rate for the first three months of the year at about 3.5 per cent. That would follow a rate of 3.9 per cent in the fourth quarter of last year.

All this vigour would normally have been expected to translate into a surge in inflation, as strong demand for labour, goods and services outpaces the supply and leads inexorably to increases in wages and prices.

Accelerating inflation is considered virtually inevitable when output moves firmly above its long-term trend potential rate, as is clearly now the case.

The potential rate of US growth is officially estimated to be about 2.3 per cent. Six years into an expansion, an economy growing at least 1.2 per cent above its long-term potential rate is headed rapidly into the inflationary danger zone and usually needs



to be restrained with a foot on the monetary brake.

Certainly, for the past two months, Mr Greenspan has been hinting that the good times may have become too good. Last week he repeated his warning that the Fed would act to tighten monetary policy pre-emptively, when it felt inflation threatened to rise again.

But, in spite of the mounting evidence of accelerating growth in the past six months, the Fed has not moved yet. The central bank does not usually wait this long for signs of a surge in growth to apply the brakes. In 1994, the last time it began raising interest rates to counter inflationary pressures, it tightened policy after just one quarter's evidence of well above-trend growth.

The reason for the Fed's forbearance this time is the stubborn refusal of inflation to show any signs of accelerating. Consumer prices have been rising at a low, stable rate of about 3 per cent for more than two years. Excluding the volatile food and energy component, the increase is just 2.5 per cent.

The Fed is on record as saying that the CPI probably overstates the true rate of inflation by at least 1 percentage point. That suggests the true level of consumer price inflation is as close to absolute stability as it is probably wise to go.

Consumer prices are merely the end of a long chain of inflationary indicators. Further up the chain there are precious few signs of rising cost pressures.

The rate of producer price inflation fell last year, and fell further at the start of this year, to an annual rate of just 2.2 per cent.

Labour, which accounts for the bulk of employers' costs, appears quiescent. In the current tight jobs market wages would have been expected to accelerate by now. But in the past year hourly wage costs rose just 3.8 per cent.

Some economists also argue that, because inflation is so low, monetary policy is already quite tight enough. At 5.25 per cent, the Fed funds rate, the main interest rate targeted by the central bank, is more than 2.5 per cent above the main measure of domestic inflation, the GDP deflator.

The long-term gap between the two figures has hovered around 2 per cent, which suggests current policy is already mildly restrictive.

What explains the continuing near-absence of inflation and how long will it last? Although there are a variety of explanations offered by economists, the Fed's officials point to developments in the labour market, and in particular to three critical determinants.

Productivity, especially in manufacturing, has improved markedly in the past two years. Manufacturing output per hour rose 3.9 per cent in 1996, reducing unit labour costs by 0.3 per cent for the year. Services productivity appears to have been stagnant but Mr Greenspan and other Fed

officials believe the official figures underestimate gains in output in this sector.

The main reason for the productivity improvements is probably the giant leap in the possibilities offered by computers, which have spread their benefits throughout the economy. Wage growth validated by productivity growth is not, of course, inflationary.

"We're watching carefully for any signs that wage pressures are mounting more than can be justified by productivity gains. We haven't seen that yet," was the recent verdict of Mr Michael Moskow, president of the Reserve Bank of Chicago and a member of the Fed's open market committee.

A second factor the Fed's economists cite is the slow growth of non-wage labour costs. The cost of health insurance for employers has fallen by more than 10 per cent in the last two years, thanks to changes in the management of healthcare. Other non-wage costs, such as additional employee benefits, have also been held in check.

But the most important component in the view of Mr Greenspan himself is worker insecurity. A much higher turnover of labour in the mid-1980s has heightened workers' concerns about the security of their employment prospects. That has made them much more reluctant to press for higher wages, in spite of their productivity improvements and the tight labour market.

"The willingness of workers in

recent years to trade off smaller increases in wages for greater job security seems to be reasonably well documented," Mr Greenspan himself said last month.

In recent months, however, as the pace of economic growth has quickened, there has been some evidence that this factor may be starting to fade. The number of people leaving their jobs voluntarily, a statistic regarded by the Fed as an important indicator of employment insecurity, has been rising steadily since the middle of last year, although it fell back again in February.

The Fed's policy makers are thus left with an ambiguous message. Productivity growth remains strong, offsetting the rise in unit labour costs, and presenting a continuing favourable outlook for inflation. But it may not be strong enough to offset the growing self-confidence workers feel about their job prospects as unemployment falls, a factor that seems certain to lead to a resurgence in wage demands.

On top of that, the pace of economic growth has clearly edged up into a range that will be considered by even the most optimistic of economists as too hot for comfort.

In the absence of clear evidence that the economy is about to lose momentum the Fed will probably conclude that the risks of waiting may be too great. An interest rate rise either tomorrow, or at the next meeting of the open market committee in May, seems increasingly likely.

OBSERVER

Driven to distraction

step down at Peugeot in September, is it possible that VGE is again ahead of the game?

"Never, never, never..." was the response of Peugeot-Citroën boss Jacques Calvet when asked if he would consider a merger with rival Renault. Louis Schweitzer, the Renault chief, has given similarly short shrift to the idea of a love match between France's two big carmakers.

But coolness on both sides has not prevented the notion of a tie-up attracting some influential supporters: former French president Valéry Giscard d'Estaing - Calvet's one-time boss - last week threw his weight behind the idea. He used an article in L'Express magazine to argue that a Renault-Peugeot marriage would be "the most advantageous" of all possible combinations for restructuring the European car market.

It would be too easy to write off VGE, as he is universally known in France, as a has-been who's lost his political clout. After all, his last high-profile intervention in policy matters - calling for a depreciation or devaluation of the French franc - turned out rather well. Since Giscard caused a stir with his comments last November, the value of one \$1 has risen from about FF75.22 to FF75.73. With Calvet, 65, due to

Old mould

However much they feign indifference, stars at tonight's much-hyped Hollywood ceremony would give their teeth to pick up an Oscar. So it's refreshing to learn that Owen Siegel, proprietor of RS Owens, the Chicago metal-basher which makes the precious statues, can't remember the last time he went to the movies.

Not that Siegel, a sprightly septuagenarian, is off-hand about his work; each Oscar is hand-cast in pewter and plated with copper, then nickel, silver and finally gold. "You could pay for a couple of Emmys or Clio's with just the gold that goes into an Oscar," he says proudly, though he's keeping quiet about how much they cost to make.

Bit parts

It's a topsy-turvy Europe says Michael Kühn, president of PolyGram Films. Entertainment, the company behind recent celluloid classics including *Four Weddings and a Funeral*, *Train Spotting* and *Priscilla Queen of the Desert*. Kühn and his cronies from other European film outfits want

member states to set up a modest guarantee fund of €600m (\$68m) to support the industry; at present most European film makers go to Hollywood for funding because local backing is scarce. Kühn says governments would not have to dip into national coffers - the fund could come out of part of the EU budget already allocated for the audiovisual sector. But the week after Germany announced a new DM1bn (\$500m) subsidy for its shipbuilding sector, Kühn's optimism is fading. He points an accusing finger at the UK, the Netherlands and Germany, which are blocking the release of the funds - a depressing trio for the British president of a Dutch film company whose father was born in Berlin.

the valuables at her residence or shipping them out with her personal effects. The cable was signed "Albright", although apparently all messages to foreign missions bear the signature of the secretary of state, whether or not she sees them. The message was in fact sent by the department's interior design and furnishings division, a spokesman earnestly explained.

Forked tongue

The US State Department has been busy playing down a cable sent to its ambassador in Albania, urging her to take good care of embassy silverware.

The message reminded Marisa Lino - who's been presiding over the escape of hundreds of foreigners from the riot-torn Balkan state - of the department's "policy for safeguarding sterling silver flatware (cutlery) on the occasion of an evacuation". It said she should consider stowing

the valuables at her residence or shipping them out with her personal effects.

The cable was signed "Albright", although apparently all messages to foreign missions bear the signature of the secretary of state, whether or not she sees them. The message was in fact sent by the department's interior design and furnishings division, a spokesman earnestly explained.

Some mistake

Mzi Khumalo, the former political prisoner who last week took over as chairman of JCI, the world's sixth largest gold producer, has been lauded as the new champion of black economic empowerment in South Africa. During a recent tour of his business, thousands of miners and their families turned out to see in the flesh the first black chairman of a South African mining house.

But news of this phenomenon has been slower to sink into the depths of the group's Johannesburg head office. When Khumalo first parked his car in the chairman's basement parking space, a JCI security guard rushed over to tell him that space was reserved for the boss. "But I am the chairman," explained Khumalo. With a frown the guard replied: "I'll have to check that."

Financial Times

100 years ago

The Cretan Crisis
The French marines have not been able to land owing to the roughness of the sea. The French and Russian troops are expected to arrive to-morrow, and the British and Austrian troops about the middle of next week. Copies of the proclamation of autonomy were handed to the insurgents at Alkrotiri yesterday evening. Three Turkish soldiers were surprised last night pillaging a Christian house at Haleja. On being discovered they fired on the Montenegrin gendarmes, who replied, killing one of the Turks.

The Italian Elections
The decisive victory of the Government at the Italian elections has greatly relieved the Chamber of Deputies by removing one element of uncertainty from the situation. It will also enable Italy to act more firmly in support of Anglo-French policy in the Eastern question, thereby eliminating a source of weakness in the European Concert. The triumph of the Government is very thorough. 297 Ministerialists being elected against only 70 of the Constitutional Opposition, 17 Radicals and 8 Socialists, so that there is an overwhelming majority over all the other parties combined.

Asian car production set to exceed demand

By Peter Montagnon,
Asia Editor, in London

Asia's car production capacity is growing far in excess of forecast demand in the region, creating a risk of a serious shake-out by the end of the decade, according to a survey by DRI/McGraw Hill, the business researchers.

The research contradicts the common view that western car manufacturers can compensate for sluggish growth at home by relying on fast-expanding Asian emerging markets.

"With all manufacturers having ambitious plans to increase capacity and exports, we expect excess capacity to become a major issue in almost every Asian country by the end of the decade," said Mr Ashvin Chotai, author of the survey.

Top vehicle manufacturers

achieve capacity utilisation rates of more than 85 per cent from their plants in developing Asia. By 2000, they will find it hard to achieve rates of 75 per cent.

Across the region capacity utilisation is expected to drop to 57 per cent in 2000 from 67 per cent in 1995.

A particularly sharp drop is expected in South Korea where capacity is likely to grow rapidly as a result of Samsung's entering the industry in 1998 and Ssangyong's planned increase in production. Capacity use may drop to 52 per cent by 2001 from 72 per cent in 1995, the survey says.

Excess capacity plagues China already, especially in the passenger car sector which has been squeezed by cuts in government - the main buyers. Manufacturers there were selling at a loss last year.

While China's light commercial

vehicle market may recover with the economy, car market faces structural problems, Mr Chotai said.

"Heavy promotional campaigns and price wars will plague vehicle manufacturers operating in India," Mr Chotai added.

"This is quite a turnaround. As recently as 1995 the market was supply-constrained and waiting lists for cars were common. A shakeout is inevitable."

Capacity in south-east Asia is expected to rise to more than 3m units by 2000 from 1.6m units in 1995, thanks largely to substantial investment in Thailand by General Motors, Ford, Mazda, Honda, Mitsubishi and Nissan.

Asian Automotive Industry Forecast, DRI/McGraw Hill, 1 Hartfield Road, London SW19 3RU. Tel: +44 181 543 1234. Fax: 545 6242.

Business is business but sevens are heaven in Hong Kong

By John Riddling and
Louise Lucas in Hong Kong

Businessmen are a hard-headed lot when it comes to Hong Kong, unruffled by its imminent return to China.

But as the final whistle blew yesterday at the last rugby world seven-a-side tournament before the handover, emotions slipped through the sun-froid. "It must go on. It would be a disaster if it didn't," said a tartan-clad executive from a UK blue-chip company which, like many groups, convenes a Hong Kong board meeting for sevens week.

Since the tournament was launched 22 years ago the sevens has established itself as a raucous spring ritual for businessmen and rugby fans. Boardrooms descend to the stadium amid fervent crowds from abroad and the local, largely expatriate, community.

July brings uncertainty for all Hong Kong institutions. But like the smooth-running Fijians, victorious on the field, fans and organisers are confident the tournament will side-step the handover.

Part of the confidence comes from business. Hong Kong's annual sevens has been broadened this year to encompass the four-yearly world championship, and the event has injected some HK\$100m into the local economy, according to the local tourist association.

Businessmen underline broader benefits. "It's a tremendous opportunity for business-building interaction," says Mr Hung, who had four or five meetings lined up for Saturday.

Others point to the international nature of the sevens. "This is not a British event. It is a Hong Kong event," says Mr Simon Murray, chief executive for Asia Pacific at Deutsche Bank.

A stadium official points to teams from countries as diverse as Canada, the Cook Islands, Wales and Western Samoa.

Mr Tung Chee-hwa, the territory's future leader, underlined the need to keep international events in Hong Kong and predicted the tournament would thrive under China.

Most important, say rugby officials, is the growing support for the sport on both sides of the border. Local interest this year was spurred by the selection of the first ethnic Chinese player for the Hong Kong team, Chan Fuk-ping.

Mr Chiu Kwok-kwong, assistant director of the Hong Kong Rugby Football Union, believes China will emerge as Asia's rugby superpower. "Life in China is tough, and rugby is a tough sport," he said. "And, of course, they have 1.2bn people to choose from."

THE LEX COLUMN

Defensive measures

A horseshoe is supposed to be a symbol of good luck. But, in the context of the French defence industry, it could be a bad omen. Speak to defence executives from other European countries these days and there is much concern about French chauvinism: how France's insistence on controlling everything is making it hard to restructure Europe's industry. Talk then turns to "horseshoe" tactics: can they cut deals among themselves so that the French eventually feel so encircled that they come to the table?

France's chauvinism has been most obviously displayed in its approach to privatising Thomson-CSF, the defence electronics group. The government's attitude has been non-French groups are welcome only as subsidiaries. This provoked the first example of the horseshoe tactic: GEC's negotiations over defence collaboration with Italy's Finmeccanica. And if GEC acquires Siemens's defence businesses, the horseshoe will have a German side too.

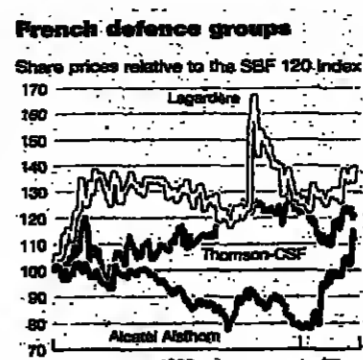
The danger that France ends up in splendid isolation has caused a subtle change in attitudes: now foreigners are being encouraged to support French bids for Thomson-CSF, though not to bid on their own. In aerospace, the risks of Fortress France are even greater: the country is already out on a limb because it is building the Rafale jet rather than the Eurofighter project.

Unsurprisingly, state-owned Aérospatiale - which is about to merge with Dassault Aviation, leader of the Rafale project - is particularly anxious to keep lines open to the British and Germans.

But will this softening line be enough? Early signs are mixed. Mr George Simpson, GEC's new managing director, prefers managing businesses. So GEC is unlikely to agree to pooling its Marconi defence unit with Thomson in exchange for just a minority stake.

How this game plays out depends, in part, on the Germans. If France can rely on its traditional strong political links with its neighbour, it may be able to take a nationalistic line. But increasingly, German commercial interests are aligned with Britain's: witness the Anglo-German front between British Aerospace and Daimler-Benz Aerospace on restructuring Airbus.

With Thomson-CSF, the issue will also be influenced by which French bidder wins: Alcatel or Lagardere. Alcatel has been presenting itself as



Share prices relative to the SBF 120 index

Source: Datastream

particularly keen to cut deals with non-French partners. The snag is that this would involve a U-turn by Mr Alain Juppé, France's prime minister, who originally backed the Lagardere bid.

But the biggest factor will be whether France sticks to its line that it should be in charge because it has the biggest defence businesses. This argument is fair enough, as far as it goes. But it ignores the fact that France's companies are neither the most profitable nor valuable. Nor does it take account of the fact that other big European countries are nationalistic too. So the recent apparent softening of France's position is probably not enough. More horseshoe tactics could be needed.

Bass

Bass looks set to be the Labour government's first corporate football. The incumbent government receives the Monopolies and Mergers Commission's report on Bass's acquisition of Carlsberg-Tetley today. But merging the brewers would mean instant job losses in the marginal Tory seat of Burton-upon-Trent during an election. So the report is almost certain to be donated to a new Labour trade and industry secretary.

Labour could in theory support Bass, whose arguments have some merit. The deal would push Bass's share of UK beer sales to around 35 per cent, but the market is highly competitive, with minimal returns on capital - even though C-T has been a hamstrung competitor. And if C-T has to limp back into the arms of an unwilling parent, Carlsberg, its competitive position will not improve. Indeed, more jobs could be lost than under Bass's plan. Nonetheless, Labour has

promised a more aggressive pro-competition policy, so it would be putting out crossed signals if this deal went through.

If it does not, the result is not disastrous for Bass. It would lose 280m (£86m) from selling C-T back to Carlsberg, but since it would share C-T's 1997 profits, total losses would be below £20m. Allied Domecq would have to pay out 280m and get back 15 per cent of C-T. Worse still, its pubs would have to buy beer from C-T for another five years at "closer" to market rates, which means much higher prices. But the real loser would be Carlsberg, which gets the majority of an unwanted loss-making brewer. If it cannot persuade someone like Anheuser-Busch to expand its UK presence by buying it, painful restructuring will be inevitable.

Stagecoach

Stagecoach shares hit the buffers last week as investors reflected on the South West Trains shambles, and deservedly so. It is not the threat of a fine which is the worry; the figure would be immaterial in share price terms. Nor does it look remotely likely that the franchise will be confiscated, tempting though that must be politically. Nevertheless, investors are inevitably starting to wonder whether initial cost-cutting hopes were over-optimistic. And more importantly, faith in Stagecoach's ability to digest a never-ending stream of deals can only have been shaken.

This raises the question: once hopes of yet more value-enhancing deals are stripped out, what is Stagecoach really worth? Start with the bus operations - tightly run but in a very mature market. To value their earnings stream on a market rating looks more than fair. Then take the Porterbrook rail leasing business. Most analysts think its cash flows are probably worth roughly £1bn - 20 per cent more than Stagecoach recently paid for the business. Such figures rely heavily on profits after existing leases expire, which are anyone's guess. But for the sake of argument, take £1bn and then assume £120m for the net present value of South West Trains. And what does this far from gloomy set of assumptions suggest? That Stagecoach's real worth is around 540p a share - nearly 30 per cent below the current price. Shareholders should be heading out of the station.

Israel calls on Palestinians to crack down on terrorism

By Avi Machlis in Jerusalem

Israel yesterday pressed the Palestinian Authority to crack down on Hamas, the Islamic movement responsible for a suicide bombing which killed three Israelis in Tel Aviv last week.

"I want them to start fighting terrorism as they promised," said Mr Benjamin Netanyahu, Israeli prime minister, after a meeting of the inner cabinet. "Then we can discuss many other issues." There had been speculation that Israel would suspend peace talks as a result of the bombing.

Israel's senior ministers demanded that the Palestinians arrest Hamas activists, collect illegal arms and "tighten security co-operation" with Israel.

Earlier in the day Mr Jibril Rajoub, Palestinian security chief, met Mr Avigdor Kahalani, Israeli public security

minister, in an attempt to bolster co-operation in the aftermath of the suicide attack.

Israel closed its borders with the West Bank and Gaza immediately after the attack and a threat by Hamas to carry out more bombings.

After the meeting Mr Rajoub told Israel Radio: "Goals will not be reached with pressure. Co-ordination and dialogue is the only way." Nevertheless, senior Israeli military officials said a few hours later that Palestinian security forces were not co-operating with Israel in clamping down on Hamas.

Also yesterday Mr Ahmed Abdel Rahman, Palestinian cabinet secretary, traced the current Israeli-Palestinian crisis to Israel's move last week to build Har Homa, a Jewish neighbourhood on a hill called Jabal Abu-Ghneim in Arab east Jerusalem.

Palestinians had predicted widespread violence in reaction to the Israeli decision. At

least 100 Palestinians protesting about Har Homa were wounded at the weekend in clashes with Israeli soldiers on the boundary between Israeli and Palestinian-controlled areas in the West Bank town of Hebron.

After the inner cabinet meeting Mr Netanyahu repeated his accusation that the Palestinian Authority gave a "green light" to Hamas to carry out attacks against Israel, a claim rejected by Palestinians and the US.

Political analysts said Mr Netanyahu had to press the Palestinians to control Hamas as he had come to power on campaign promises to provide "peace and security" to Israelis. It was the first Hamas bombing since Mr Netanyahu was elected last May.

Mr Yasser Arafat, Palestinian president, rallied at Israel's determination to build Har Homa and criticised the US for thwarting a UN condemnation of Israel.

Steel merger

Continued from Page 1

responsibility" and come to a "sensible settlement".

Anger against Germany's banks continued to mount because the UK-based investment bank subsidiaries of Deutsche Bank and Dresdner Bank are among Krupp's advisers, while the German parent banks are represented on the Thyssen supervisory board.

The IG Metall union at Thyssen has called on the company to sever links with Deutsche Bank and Dresdner Bank.

Russian overseas bond issues

Continued from Page 1

return to health and the successful launch earlier this month of Russia's first D-Mark-denominated bond have established favourable conditions for other prospective Russian borrowers.

Russia's D-Mark-denominated bond, which was priced to yield 3.7 percentage points more than the equivalent German government bonds, will be used as a benchmark for Russian corporate and "quasi-sovereign" debt issues in the German currency. Russia's

debt dollar bond is trading at about 3.25 percentage points higher than equivalent US Treasury bonds.

Traders say that with coupons of 9 per cent or more, the expected bond issues will be priced to offer higher yields than most other emerging market bonds.

"There is a real shortage of high-yielding debt in the market at the moment," said a London bond trader.

"Russian debt will be very popular with investors both for its rarity value and for the returns on offer."

Europe today

Much of Europe will be wet. The British Isles will have persistent rain. Ireland will have sun and showers. Northern France will also have rain, although the south will be mainly dry with sun and cloud. The Benelux will be overcast. Germany will have some sunny spells.

The Iberian peninsula will be mostly sunny. Northern Italy will have showers as low pressure stalls over the region.

The Swiss Alps will have snow above 1500 metres.

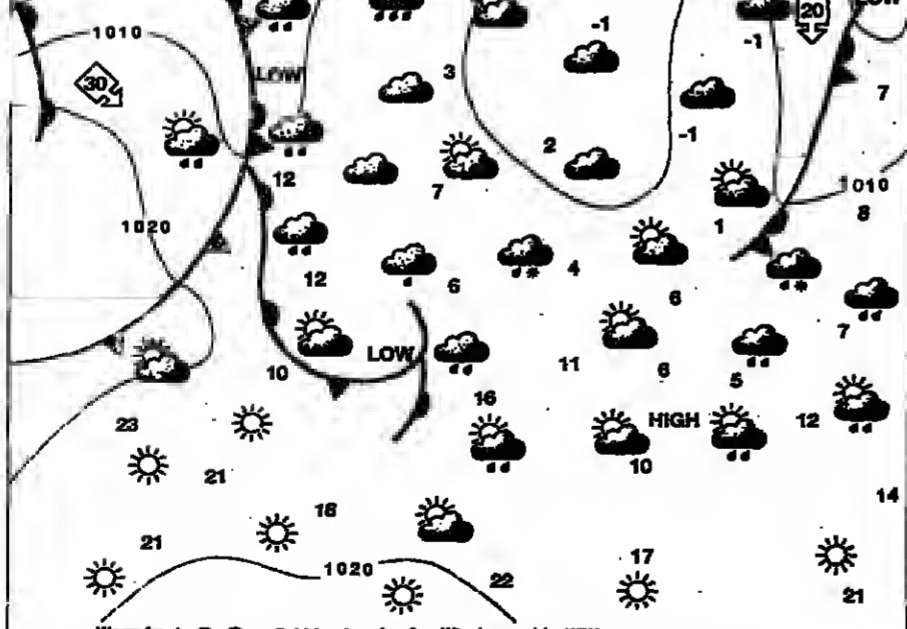
Most of the Balkans will have sun and cloud, but the Black Sea area will have rain and sleet showers.

Five-day forecast

High pressure from the Atlantic will expand towards eastern Europe on Wednesday, resulting in fair conditions over central Europe.

Northern Europe will be overcast and rainy, as a disturbance moves from the Atlantic into southern Scandinavia.

WEATHER GUIDE



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Abu Dhabi	sun 16	Caracas	sun 16	Farø	sun 20	Madrid	sun 19	Rangoon	sun 35
Accra	sun 18	Cardiff	sun 11	Frankfurt	cloudy 12	Manila	sun 19	Reykjavik	sun 8
Algiers	sun 18	Casablanca	sun 20	Geneva	showers 14	Moscow	sun 18	S. Francisco	sun 24
Amsterdam	sun 18	Chicago	sun 9	Glasgow	rain 10	Mumbai	sun 18	Singapore	sun 24
Athens	sun 18	Cologne	sun 12	Hamburg	rain 10	Medan	sun 18	Sydney	sun 24
Bahia	sun 18	Dakar	sun 24	Helsinki	rain 10	Mexico City	sun 18	Taipei	sun 24
Bombay	sun 18	Dallas	sun 25	Hong Kong	cloudy 19	Miami	sun 28	Tokyo	sun 24
Brussels	sun 18	Dubai	sun 28	Indonesia	cloudy 26	Manila	sun 18	Washington	sun 20
Budapest	sun 18	Dubrovnik	sun 11	Jakarta	showers 11	Montreal	sun 18	Wellington	sun 14
Buenos Aires	sun 18	Dublin	sun 11	Karachi	rain 11	Nairobi	sun 18	Winnipeg	sun 0
Calcutta	sun 18	Edinburgh	sun 11	Kuala Lumpur	rain 11	Nassau	sun 18	Zurich	sun 10
Cairo	sun 18			Lima	sun 18	New York	sun 18		
Cape Town	sun 17			Lisbon	sun 18	Nice	sun 18		
				Luxembourg	sun 18	Nicosia	sun 18		
				Lyon	sun 18	Oso	sun 18		
				Madrid	sun 20	Paris	sun 18		
						Perth	sun 18		
						Rangoon	sun 35		
						Reykjavik	sun 8		
						S. Francisco	sun 24		
						Singapore	sun 24		
						Sydney	sun 24		
						Taipei	sun 24		
						Tokyo	sun 24		
						Washington	sun 20		
						Wellington	sun 14		
						Winnipeg	sun 0		
						Zurich	sun 10		

The airline for people who fly to work.

Lufthansa

Lease Plan provides a unique vehicle leasing and fleet management service.

Like many of our competitors we only charge precisely what we quote. But unlike other vehicle leasing companies, we refund any savings we make. Last year alone, our customers benefited by more than £4 million.

We believe it's only fair that if the basis of the original calculations change, such as maintenance, depreciation, or residual value, we

either absorb any loss, or we refund customers any surplus.

And you'll know precisely what your fleet costs because all our calculations are visible and open to inspection.

To find out more, about how Lease Plan can help you find your way around the vehicle leasing jungle, simply telephone or complete the information request below.

We believe it's only fair that if the basis of the original calculations change, such as maintenance, depreciation, or residual value, we

0345 65 60 65

Send this information request to Lease Plan, Thames Side, Wokingham, Berkshire, RG4 2YV. Please send no further details of Lease Plan's unique vehicle leasing and fleet management service.

Title _____ Surname _____ Other names _____

Position _____ Company Name _____

Address _____

Postcode _____

Tel. No. _____ Fleet Size _____ Method of Acquisition _____

Lease Plan

A fair deal in an unfair world